

**DEKALB COUNTY GOVERNMENT**  
Purchasing and Contracting



John L. Greene, CIA, CIG, CGAP, CGFM  
Chief Audit Executive

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## PURCHASING AND CONTRACTING AUDIT OF EMERGENCY PURCHASES AUDIT REPORT NO. 2017-006-PC

### What We Did

In accordance with the Office of Independent Internal Audit (OIIA) Annual Audit Plan for 2017, we conducted a performance audit of the Emergency Purchase (EP) process. We examined EPs executed from January 1, 2015 to March 31, 2017 to determine whether Purchasing and Contracting (P&C) department complied with the DeKalb County Purchasing Policy and Procedures and to identify opportunities to strengthen the effectiveness and efficiency of the EP procurement process.

### What We Found

P&C did not always comply with Emergency Purchase procedures, specifically:

- Seventy-nine percent (22 out of 28) of EPs examined were improperly categorized as EPs due to inadequate planning by the user departments
- The Board of Commissioners (BOC) did not approve 2 of 5 sampled EPs that exceeded \$100,000
- Ninety-six percent of EP forms were approved by Chief Procurement Officer (CPO) and 100% were approved by the Procurement Manager; however, only few Procurement Agents approved the forms

In addition, we identified the following control deficiencies within the EP procurement process:

- Lack of accurate reporting of Emergency Purchases
- Lack of compensating controls when segregation of duties is inadequate
- Ineffective procedures to communicate contract information prior to expiration
- Inconsistent language between Purchasing Policy and Procedures manual

### What We Recommend

We recommend the CPO should consider several opportunities to strengthen the EPs and procurement process as summarized below:

- P&C Policy and Procedures should emphasize that inadequate planning is not justification for utilization of EPs and provide illustrations of qualifying EPs
- P&C Management should implement more efficient controls to ensure all EPs over \$100,000 are ratified by BOC
- P&C Management should ensure all Procurement Agents and Procurement Managers consistently initial and date Non-Competitive Purchase Request (NCPR) forms

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES**

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- P&C Management should develop and implement automated controls to track and report all EPs
- P&C Management should implement compensating controls when segregation of duties is inadequate
- P&C Management should implement an effective communication tool to inform County departments and/or agencies of upcoming expiring contracts
- P&C Management should reconcile the language between the Purchasing Policy and the Procedures Manual to ensure that P&C activities are consistent

## Table of Contents

BACKGROUND AND INTRODUCTION -----	5
AUDIT RESULTS -----	6
FINDING 1- USE OF EMERGENCY PURCHASES AS AN ALTERNATIVE FOR LACK OF PLANNING AND RISK MANAGEMENT -----	6
FINDING 2- EMERGENCY PURCHASES WERE NOT RATIFIED BY THE BOC -----	8
FINDING 3- IMPROVEMENT IN THE APPROVAL PROCESS OF THE NON COMPETITIVE PURCHASE REQUEST FORM -----	8
FINDING 4- LACK OF ACCURATE REPORTING OF EMERGENCY PURCHASES ----	9
FINDING 5- LACK OF COMPENSATING CONTROLS WHEN SEGREGATION OF DUTIES ARE INADEQUATE -----	10
FINDING 6- INEFFECTIVE PROCEDURES TO COMMUNICATE CONTRACT INFORMATION PRIOR TO EXPIRATION -----	11
FINDING 7- INCONSISTENCY BETWEEN THE POLICY AND PROCEDURES MANUAL -----	12
ADDITIONAL ITEM FOR CONSIDERATION -----	12
ENFORCEMENT FOR RATING FORMS FOR CONTRACTORS, PROVIDERS, AND LSBEs -----	12
APPENDIX -----	14
Appendix I - Purpose, Scope and Methodology-----	14
Appendix II - Management Response-----	15
Appendix III - Definitions and Abbreviations-----	18
Appendix IV - Better Practices identified for Emergency Purchases-----	19
DISTRIBUTION -----	20
PROJECT TEAM -----	21
STATEMENT OF ACCORDANCE -----	22

## **BACKGROUND AND INTRODUCTION**

The Purchasing and Contracting (P&C) Department oversees all procurements of goods and services using competitive bid process, when possible, with a goal to implementing fair, effective, and efficient procurement system that offers best value for goods and services to DeKalb County (County). To this end, P&C strives to achieve customer service experiences that add value to DeKalb County procurement process. P&C is responsible for the design and implementation of efficient and effective internal controls to manage significant risks and ensure the department and County met their goals. The Chief Executive Officer (CEO) shall enforce compliance with P&C's procurement policy and procedures for all departments, offices, or agencies, except the Tax Commissioner, Clerk of Superior Court, District Attorney, and the Sheriff (Georgia House Bill 700).

The DeKalb County Purchasing and Contracting Policy and the Procedures Manual specifies the following five procurement methods:

1. Competitive Sealed Bidding
2. Competitive Sealed Proposal
3. Informal Purchase
4. Sole Source
5. Emergency Purchase

EP is "used when there is a need for goods or services due to an unexpected and urgent request (emergency) constituting an imminent threat to public health or safety or the loss of an essential government service."<sup>1</sup> The user department acquire goods or services using EP procurement method by following the guidelines stipulated in the P&C Policy and Non Competitive Purchase Request (NCPR) form. The guidelines specify that the:

- Emergency must exist due to health, welfare, or safety of people or property, or cost a material loss of essential government services
- User departments must complete and submit NCPR form to make requests for EPs; the form must include an explanation as to why the competitive process cannot be used
- CPO must approve all EPs regardless of the time of emergency occurrence and the amount of the request
- A "competitive process should be followed whenever possible as long as the ability to address the emergency is not seriously impaired."<sup>2</sup>
- All EPs that exceed \$100,000 must be "ratified by official action of the Governing Authority at a future Board of Commissioners' meeting and the reason for the emergency must be contained in the minutes of the meeting."<sup>3</sup>

"When a situation exists where time does not permit involvement of the Purchasing and Contracting Department, the Department Director is authorized to purchase necessary commodities or make necessary repairs."<sup>4</sup>

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<sup>1</sup> P&C Procedures Manual, dated March 6, 2017, pg. 5

<sup>2</sup> DeKalb County Purchasing Policy, dated August 6, 2014, pg. 12

<sup>3</sup> DeKalb County Purchasing Policy, dated August 6, 2014, pg. 12

<sup>4</sup> DeKalb County Purchasing Policy, dated August 6, 2014, pg. 22

## **AUDIT RESULTS**

During this engagement, the OIIA examined twenty-eight EPs totaling approximately \$1.4 million to evaluate compliance with P&C's Policy and Procedures for EPs. We tested for accuracy and completeness of the EPs by comparing computerized data provided by the Department of Innovation and Technology (DoIT) with the EP listing provided by P&C. The P&C team provided the supporting documents for EPs. In addition, we examined other Metro Atlanta jurisdictions to identify opportunities to strengthen the effectiveness and efficiency of the EPs and procurements process.

In performing our examination, the OIIA relied on computer-processed data extracted from the Oracle Financial System. Since there is no mechanism to track EPs, we extracted EPs based on key words and verified with P&C staff about the accuracy of the information.

Based on the current system capabilities, P&C's controls over the procurement of goods and services for EPs are properly designed as it relates to written and unwritten procedures. Our tests of 28 EPs demonstrated existing controls were implemented and applied in accordance with the procedures. Specifically, we observed that 96% of EPs were approved by the CPO or signatory authority and effective system notification tools are in place to track expiring contracts.

As a result, we identified several opportunities to strengthen the EPs and procurement process as outlined in our findings and recommendations below.

Our engagement identified some better practices for consideration in addressing the EPs requirements in **Appendix IV**.

### **FINDING 1- USE OF EMERGENCY PURCHASES AS AN ALTERNATIVE FOR LACK OF PLANNING AND RISK MANAGEMENT**

**Objective:** To test for compliance with P&C's Emergency Purchase Policy and Procedures by assessing whether approved EPs met the criteria for EP.

**Criteria:** According to the EP Policy and Procedures, EP should be used when goods and services are due to unexpected and urgent conditions, where health and safety or the conservation of public resources is at risk.

**Condition:** We examined 28 EPs and found that 22 or 79% were primarily due to lack of proper planning by the user departments.

Watershed Management used at least 6 EPs to continue an expired contract for lease of repair equipment until the contract was replaced. Sunbelt Rentals, Inc.'s contract for ongoing repairs and maintenance activities by Watershed Management expired on December 31, 2015. Rather than re-soliciting the bid, Watershed Management utilized the Emergency Purchase to lease equipment from the former contractor, Sunbelt Rentals, Inc., for nonemergency work.

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES**

The following table provides a summary of emergency purchases by other County departments:

<b>EMERGENCY PURCHASES VARIOUS DEPARTMENTS January 1, 2015 – March 31, 2017</b>			
<b>DEPARTMENT</b>	<b>REASON FOR EMERGENCY PURCHASE</b>	<b>AMOUNT</b>	<b>TOTAL PURCHASE ORDERS</b>
Recreation, Parks, and Cultural Affairs	Resurfacing of seven (7) gym floors	\$127,447.94	1
Roads & Drainage	Emergency Repair for Bridges	\$434,582.15	4
Fire & Rescue	Moving services for Fire Rescue	\$40,936.35	1
Police Services- Animal Services	Heating at the Animal Shelter 11/25/15 - 3/24/16	\$55,100.00	1
Community Development	Housing repair, Civil engineering services, repair at Brookside Park	\$239,043.00	3
Facilities Management	Toshiba 1600XP1 UPS Replacement for East Precinct & Prime Site; New AX JACE and map all existing graphics to Delta system. Old system is malfunctioning and obsolete	\$67,878.10	2
Watershed Management	Scott Candler electrical Switch Geer, Transfer pump; rental equipment due to expired contract	\$223,511.14	9
Finance Department	RFP was later to allow TAN to be completed in May 2015	\$15,000.00	1
<b>Total</b>		<b>\$1,203,498.68</b>	<b>22</b>

**Cause:** DeKalb County P&C Policy and Procedures do not emphasize that a lack of adequate planning is no justification for utilizing an EP. In most cases, the condition described on the NCPR form, which justified the EPs, occurred due to lack of planning and risk mitigation strategies by the user departments. In other situations, EPs resulted in failure to solicit bids and execute a new contract prior to expiration of the existing contract.

**Consequence:** Improperly categorizing contracts as emergency services or allowing non-emergency contract to continue on an emergency basis caused by inadequate planning circumvents the competitive process. This practice reduces competition for services, which may



potentially result in higher costs to remedy the conditions. In addition, it could expose the County to possible negative publicity and collusion with vendors.

**Recommendation:**

We recommend the P&Cs Policy and Procedures should:

- Emphasize that inadequate planning is no justification for utilization of EPs
- Provide detail description or illustrations of qualifying EPs
- P&C Management should obtain the approval of senior management prior to approving EPs that are not within the requirements of the policy and procedures, due to inadequate planning

In addition, senior management should encourage County departments or agencies to develop strategic plans to perform routine maintenance on facilities to reduce emergency conditions.

**FINDING 2- EMERGENCY PURCHASES WERE NOT RATIFIED BY THE BOC**

**Objective:** To test for compliance with P&C's Emergency Purchase Policy and Procedures by assessing if EPs over \$100,000 were ratified by the BOC.

**Criteria:** P&C's Policy and Procedures states that all EPs greater than \$100,000 must be ratified by the BOC. The BOC's approval is a control activity, which provides the BOC with information needed to exercise their oversight responsibility for internal control.

**Condition:** Among the 28 EPs sampled, two of five (40%) EP files exceeding \$100,000, we examined, did not contain documents to support the ratification of the EPs by the BOC.

**Cause:** Inadequate controls exist to ensure all EPs greater than \$100,000 are presented to BOC for ratification.

**Consequence:** By not presenting EPs to the BOC for approval, the risk that excessive or unauthorized purchases will go undetected is increased. In addition, the lack of ratification could encourage collusion between staff and vendors that offer goods and services.

**Recommendation:**

The CPO should ensure all EPs that exceed \$100,000 are presented to the BOC for ratification, and should maintain appropriate documentation to verify approval. In addition, the CPO should establish automated controls to track and report EPs with such attributes. Tracking and reporting of such EPs within Oracle (Advanced Procurement Systems 'APS') may be preferable to reduce the risk of human error and to increase efficiency.

**FINDING 3- IMPROVEMENT IN THE APPROVAL PROCESS OF THE NON COMPETITIVE PURCHASE REQUEST FORM**

**Objective:** To test for compliance with P&C's Emergency Purchase Policy and Procedures, we assessed whether individuals involved in EP approval process approved the NCPR form.

**Criteria:** P&C Procedure Manual requires a Procurement Agent to comment and initial NCPR form upon completion and the manager to review, initial, and date the form before CPO's final

approval. The purpose of the approval is an independent check to ensure the EP requests are appropriate and comply with the P&Cs policy and procedures. The signature and date on the NCPR form provides evidence of timely review and approval of the form.

**Condition:** Ninety-six percent of NCPR forms examined were approved by the CPO. The Procurement Agents who processed EP requests, that we examined, did not consistently initial or date the NCPR forms. The managers initialed the NCPR forms that we examined but did not date the form.

**Cause:** Lack of proper review by P&C Management when NPCR forms are forwarded to them for approval.

**Consequence:** By not initialing and dating the forms, established internal controls procedures become ineffective to signify the workflow of NPCR forms and ensure accountability of EP process.

**Recommendation:**

The CPO should ensure all P&C staff and managers consistently follow P&C's Policy and Procedures as it relates to review and approval of the NCPR forms. P&C should consider the use of electronic signatures for the NCPR forms.

During this engagement, the P&C staff were briefed on the recommendations and began taking immediate corrective action to revise the NCPR form to include a line for all signatures and dates. We commend P&C staff for their initiative to take corrective actions.

**FINDING 4- LACK OF ACCURATE REPORTING OF EMERGENCY PURCHASES**

**Objective:** To identify opportunities to strengthen the effectiveness and efficiency of the EP process and assess the accuracy and completeness of reporting information.

**Criteria:** A well-designed system of internal controls should include obtaining, generating, or using "relevant quality information to support internal controls and to communicate with internal and external partners on a regular basis about matters affecting the internal controls."<sup>5</sup>

**Condition:** The report provided by P&C staff did not include all EP purchase orders (PO) approved during the audit period. At least 12 EPs identified in Oracle were not included in the report provided to the OIIA.

**Cause:** P&C staff mentioned that there was no mechanism within the current Oracle system to identify and report all approved EPs. Therefore, the data P&C downloaded from Oracle did not clearly identify EPs.

**Consequence:** Spreadsheets are prone to undetected errors that will have an effect on the data. In addition, spreadsheets cannot provide an automated audit trail of changes made and the users who made the changes.

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<sup>5</sup> <https://www.coso.org/Pages/default.aspx>

**Recommendation:**

P&C should develop and implement an automated process for tracking and reporting all EPs through the Advance Procurement Suites system to identify procurements by type.

**FINDING 5- LACK OF COMPENSATING CONTROLS WHEN SEGREGATION OF DUTIES ARE INADEQUATE**

**Objective:** To identify opportunities to strengthen the effectiveness and efficiency of the EP process and assess whether internal controls are present, efficient, and effective to ensure departmental goals are achieved.

**Criteria:** The P&C Policy and Procedures states that a Procurement Agent shall process requests for EPs, comment, initial and date the NCPR form, and submit to team Procurement Manager for review. The Procurement Manager reviews the file, initials, date the form, and submits to the CPO for final review and approval. The various levels of approval within the Oracle system segregates duties in the approval process.

While the CPO is out on leave, the CPO gives permission of signature authority to the Procurement Manager. “If segregation of duties is not practical [when the Procurement Manager approves his/her own work on behalf of the CPO] within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.”<sup>6</sup>

**Condition:** For instances where the Procurement Manager served as the CPO, no other Procurement Manager participated in the review and approval process. In addition, the CPO did not perform high-level reviews of the transactions of the authorized signatory [Procurement Manager] afterwards.

A Procurement Manager approved four of 28 EPs or (15%) on behalf of CPO. In some instances where the Procurement Manager signed for CPO, we did not see evidence that another Procurement Manager had previously initialed and dated the NCPR form.

**Cause:** P&C approval procedures do not include compensating controls when segregation of duties are inadequate.

**Consequence:** When segregation of duties is inadequate and lack of compensating controls exist, the condition may lead to an abuse of authority, which can result in inappropriate authorization of transactions or collusion with County personnel and vendors.

**Recommendation:**

For instances where the approval process is not adequately segregated, the CPO should develop and implement compensating controls to ensure risks are reduced to appropriate level. The compensating controls can include a high-level review of transactions completed by the Procurement Manager that were not adequately segregated.

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<sup>6</sup> GAO-14-704G Federal Internal Control Standards (COSO, principle 10.14), pg. 51

**FINDING 6- INEFFECTIVE PROCEDURES TO COMMUNICATE CONTRACT INFORMATION PRIOR TO EXPIRATION**

**Objective:** To identify opportunities to strengthen the effectiveness and efficiency of the Emergency Purchase process by assessing whether controls are effective to monitor and communicate contract information prior to expiration.

**Criteria:** P&C management team receives the following periodic email alerts from Oracle system:

- Contract agreement(s) that are about to expire
- Contract Release  $\geq$  85% of Contract Amount

Once the P&C personnel receive the email, the information is communicated to departments via phone, email, or during monthly management meetings.

**Condition:** As mentioned in Finding 1, Sunbelt Rentals, Inc.'s contract for ongoing repairs and maintenance activities by Watershed Management expired on December 31, 2015. Due to the expired contract, Watershed Management used EPs to rent equipment from the former contractor, Sunbelt Rentals, Inc., in order to continue its regular repairs and maintenance activities. This resulted in Watershed Management utilizing six EPs, totaling \$115,633, which lead to the BOC's ratification of the emergency purchases.

Oracle email alerts sent to P&C Management team should have prevented the use of EPs when the contract expired.

P&C Procedures Manual lack communication and follow-up/escalation procedures to ensure effective communication method to alert departments or agencies of upcoming expiring contracts.

**Cause:** Due to the numerous contracts listed in the sample email we observed, it is ineffective to communicate such high volume of contracts via phone or during monthly meetings.

**Consequence:** Allowing existing contracts to expire without a replacement caused the County to retain and use the service of the previous contractor beyond the contract term. This practice could result in higher procurement costs to the County.

**Recommendation:**

The CPO should implement a formal communication process and include in the P&C's Procedures Manual a process for communicating upcoming expiring contracts or contract expenditures that are greater or equal to 85% of contract amount to departments and/or agencies. The formal communication process should include a standard form or template that conveys pertinent contract information to all departments/agencies. Additionally, the procedures should outline the responsible personnel within the user departments or agencies who shall receive the notification.

Once the communication procedures have been implemented, management should periodically evaluate the department's methods of communication so that appropriate tools are utilized to communicate key information throughout the County on a timely basis.

## **FINDING 7- INCONSISTENCY BETWEEN THE POLICY AND PROCEDURES MANUAL**

**Objective:** To identify opportunities to strengthen the effectiveness and efficiency of the Emergency Purchase procurement process.

**Criteria:** The **DeKalb County Purchasing Policy** states, “All emergency purchases must be authorized by the Director. Emergency purchases of **\$100,000.00 or greater** must be ratified by official action of the Governing Authority at a future Board of Commissioners’ meeting and the reason for the emergency must be contained in the minutes of the meeting.”

The **Procedures Manual** states, “All Emergency Purchases **over \$100k** must be ratified by the BOC.”

**Condition:** The language was not consistent between the Purchasing Policy and the Procedures Manual regarding Emergency Purchases.

**Consequence:** The inconsistency between the language in the Purchasing Policy and the Procedures Manual can lead to inconsistent practices among P&C personnel and user departments.

**Recommendation:**

We recommend that P&C reconcile the language between the Purchasing Policy and the Procedures Manual to ensure that P&C activities are consistent.

### **ADDITIONAL ITEM FOR CONSIDERATION**

## **ENFORCEMENT FOR RATING FORMS FOR CONTRACTORS, PROVIDERS, AND LSBES**

P&C’s Rating Form for Contractors, Providers, and LSBEs requires the user departments to fill out the form “with each delivery, payment, invoices, or other milestones in the lifecycle of any good or services for which DeKalb County pays a third party. This allows the County to document and assess the performance of the contractor and evaluate them for the purposes of awards, or recommendation for awards, or future procurements.”<sup>7</sup>

Lack of evaluating contractors upon completion of EP services prevents the County from obtaining assurance that highly rated vendors receive future emergency services contracts.

The P&C Department should:

- Incorporate into DeKalb County Purchasing and Contracting Policy and Procedures for EP a mandatory requirement for user departments to complete and submit the P&C’s rating forms for Contractors, Providers, and LSBEs for each EP purchase order issued.
- Ensure that user departments receive and complete the rating form for each EP through an automated process
- Ensure the rating information is tracked in the system to provide historical data in evaluating contractors for future EP services

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<sup>7</sup> [http://indekalb/departments/purchasing/pdf/rating\\_form\\_for\\_contractors.pdf](http://indekalb/departments/purchasing/pdf/rating_form_for_contractors.pdf)

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES**

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Currently, P&C is implementing the Advance Procurement Suites (Oracle Component), which has the capability to send out the rating form to the user departments through automated processes.

## APPENDIX

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### Appendix I - Purpose, Scope and Methodology

#### Purpose

The purpose of the engagement was to:

- Asses compliance of the Emergency Purchase and Procurements with the DeKalb County's Emergency Purchase policies and procedures
- Identify opportunities to strengthen the effectiveness and efficiency of the emergency purchases and procurement process

#### Scope and Methodology

The scope of this engagement is to examine documentation relative to Emergency Purchase policies and procedures from January 1, 2015 to March 31, 2017. **We did not assess compliance with the grant expenditures for Emergency Purchases.**

The methodology included, but not limited to the following:

- Reviewing DeKalb County's Emergency Purchase procurement policy and procedures
- Examining supporting documentation to assess compliance with established procedures
- Examining controls over the effectiveness and efficiency of Emergency Purchase procedures
- Interviewing appropriate personnel and external parties
- Reviewing other applicable documentation

OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES

Appendix II - Management Response



February 2, 2018

**\*REVISED\* MEMORANDUM**

**TO:** John L. Greene, Chief Audit Executive  
**FROM:** Talisa R. Clark, Chief Procurement Officer *Talisa R. Clark*  
**SUBJECT:** Audit of the Emergency Purchases-Audit Report No 2017-006-PC

This memorandum will serve as the official response of the audit conducted on November 28, 2017 of the Department of Purchasing and Contracting (P&C) Emergency Purchases (EP) policy and procedures. After a thorough review of the audit report regarding EPs, P&C responds as follows:

1. **Finding:** Use of emergency purchases as an alternative for lack of planning and risk management

**Recommendation:** P&C Policy and Procedures should emphasize that inadequate planning is no justification for utilization of EPs, Provide detail description or illustrations of qualifying EPs and P&C Management should obtain the approval of senior management prior to approving EPs that are not within the requirements of the policy and procedures, due to inadequate planning

**Management Response:** P&C will propose adding language to the Purchasing Policy to emphasize that inadequate planning is not justification for utilization of EPs. Additionally, P&C will continue to work with departments to ensure there is sufficient availability of on-call vendors should an emergency arise. P&C will continue to train County employees in the components of effective procurement methods through its multiple classes, workshops and educational seminars.

2. **Finding:** Emergency purchases were not ratified by the BOC

**Recommendation:** The CPO should ensure all EPs that exceed \$100,000 are presented to the BOC for ratification, and should maintain appropriate documentation to verify approval. In addition, the CPO should establish automated controls to track and report EPs with such attributes. Tracking and reporting of such EPs within Oracle (Advanced Procurement Systems 'APS') may be preferable to reduce the risk of human error and to increase efficiency.

**Management Response:** P&C agrees that all EPs that exceed \$100,000 are presented to the BOC for ratification. The two purchases identified during the audit were for emergency bridge repairs in April 2016, which were completed in 2016. Future procurements of this nature will be presented to the Board of Commissioners (BOC) for ratification to ensure proper approval and expense recognition.

As of 2017, purchasing staff has been instructed to prepare all needed ratification agenda items within the Legistar agenda software package and submit it with the emergency request documentation for CPO approval. Staff has also been instructed to select the emergency option in the drop-down flex field within Oracle when processing EPs. This will allow for proper tracking and reporting of emergency purchases.

The purchasing procedures manual will be updated to include this process within the next 30 days.

3. **Finding:** Improvement in the approval process of the non-competitive purchase request form



**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES**

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**Recommendation:** The CPO should ensure all P&C staff and managers consistently follow P&C's Policy and Procedures as it relates to review and approval of the NCPR forms. P&C should consider the use of electronic signatures for the NCPR forms. During this engagement, the P&C staff was briefed on the recommendations and began taking immediate corrective action to revise the NCPR form to include a line for all signatures and dates. We commend P&C staff for their initiative to take corrective actions. P&C Management should ensure all Procurement Agents and Procurement Managers consistently initial and date Non Competitive Purchase Request (NCPR) forms

**Management Response:** P&C made improvements to the approval process of the non-competitive purchase request form in September 2017 based on the departmental procedures and will contact the Department of Innovation Technology to advise us on the feasibility of electronic signature capabilities to the NCPR form. Staff has been notified that deviations from the Purchasing Policy and Procedures are not acceptable.

The purchasing procedures manual will be updated to include this process within the next 30 days.

4. **Finding:** Lack of adequate reporting of emergency purchases

**Recommendation:** P&C should develop and implement an automated process for tracking and reporting all EPs through the Advance Procurement Suites system to identify procurements by type. P&C Management should develop and implement automated controls to track and report all EPs

**Management Response:** P&C made improvements to ensure adequate reporting of emergency purchases. The existing Oracle system allows for the emergency selection option when creating the Purchase Order (PO).

Staff has been instructed to select the emergency option in the drop-down flex field within Oracle when processing EPs. This will allow for tracking and reporting of emergency purchases.

The purchasing procedures manual will be updated to include this process within the next 30 days.

5. **Finding:** Lack of compensating controls when segregation of duties are inadequate

**Recommendation:** For instances where the approval process is not adequately segregated, the CPO should develop and implement compensating controls to ensure risks are reduced to appropriate level. The compensating controls can include a high-level review of transactions completed by the Procurement Manager that were not adequately segregated.

**Management Response:** P&C made improvements to ensure that compensating controls are in place when segregation of duties is assigned. The CPO has instructed managers who are temporarily delegated CPO signature authority to obtain another manager's review and signature approval for their team's work submissions.

The purchasing procedures manual will be updated to include this process within the next 30 days.

6. **Finding:** Ineffective procedures to communicate contract information prior to expiration

**Recommendation:** The CPO should implement a formal communication process and include in the P&C's Procedures Manual a process for communicating upcoming expiring contracts or contract expenditures that are greater or equal to 85% of contract amount to departments and/or agencies. The formal communication process should include a standard form or template that conveys pertinent contract information to all departments/agencies. Additionally, the procedures should outline the responsible personnel within the user departments or agencies who shall receive the notification. Once the communication procedures have been implemented, management should periodically evaluate the

**OFFICE OF INDEPENDENT INTERNAL AUDIT  
DEKALB COUNTY GOVERNMENT  
AUDIT OF EMERGENCY PURCHASES**

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department's methods of communication so that appropriate tools are utilized to communicate key information throughout the County on a timely basis.

**Management Response:** P&C has several communication methods established when communicating upcoming expiring contracts and will include these methods in the purchasing procedures manual.

Currently, P&C disburses information to County clients regarding upcoming expiring contracts six months prior to the contract's expiration and will consider the implementation of additional measures to improve County-wide notification and follow-through effectiveness.

The purchasing procedures manual will be updated to include this process within the next 30 days.

7. **Finding:** Inconsistency between the policy and procedures manual

**Recommendation:** We recommend that P&C reconcile the language between the Purchasing Policy and the Procedures Manual to ensure that P&C activities are consistent

**Management Response:** P&C is in the process of addressing inconsistency between the policy and procedures manual through the development of a purchasing ordinance.

Please do not hesitate to contact me with any questions or need for additional documentation.

cc: Michael L. Thurmond, Chief Executive Officer  
La'Keitha Carlos, Chief of Staff, CEO  
Zachary Williams, Chief Operating Officer  
Viviane Ernstes, Interim County Attorney  
Marian Adeimy, Assistant County Attorney  
Terry G. Phillips, Senior Staff Attorney  
ShaTausa Edwards, Procurement Projects Manager - Operations

## Appendix III - Definitions and Abbreviations

### Acronyms and Abbreviation

<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>GAO</b>	Government Accountability Office

### Key Definitions

**Committee of Sponsoring Organizations of the Treadway Commission:** “a joint initiative of the five private sector organizations listed on the left and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence.”<sup>8</sup>

**Control Activities:** “actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.”<sup>9</sup>

**Segregation of Duties:** “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”<sup>10</sup>

**Compensating Control:** “An activity that, if key controls do not fully operate effectively, may help to reduce the related risk. Such controls also can back up or duplicate multiple controls and may operate across multiple processes and risks. A compensating control will not, by itself, reduce risk to an acceptable level.”<sup>11</sup>

**Contract Release:** total amount paid of the approved contract total

**Signature Authority:** “permission to execute transactions up to limits established by relevant [DeKalb County] policies and permission to approve transactions for execution. This approval attests to the appropriateness of the transaction within the [DeKalb County’s] program objectives and budgetary authorizations.”<sup>12</sup>

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<sup>8</sup> <https://www.coso.org/Pages/default.aspx>

<sup>9</sup> GAO-14-704G Federal Internal Control Standards, pg. 44

<sup>10</sup> GAO-14-704G Federal Internal Control Standards, pg. 47

<sup>11</sup> <https://na.theiia.org/certification/Public%20Documents/Glossary.pdf>

<sup>12</sup> [http://daf.csulb.edu/admin\\_guidelines/policies/sig\\_auth.html](http://daf.csulb.edu/admin_guidelines/policies/sig_auth.html)

### Appendix IV - Better Practices identified for Emergency Purchases

Criteria/ Better Practices	References /Sources
<p><b><u>Criteria:</u></b></p> <ul style="list-style-type: none"> <li>• O.C.G.A Title 36, Chapter 69, Article 2 defines the conditions for an emergency. Local emergency means the existence of conditions of extreme peril to the safety of persons and property within the territorial limits of a political subdivision of the state caused by natural disasters, riots, civil disturbances or other situations present in major law enforcement and other public safety problems</li> <li>• The NIGP states that emergency contracting procedures be addressed as a key topic under the source selection process</li> </ul> <p><b><u>Better Practices:</u></b></p> <ul style="list-style-type: none"> <li>• Conditions are or are likely to be beyond the control of the services, personnel, equipment, and facilities of that political subdivision of the state and which require the combined forces of other political subdivisions to combat</li> <li>• A state of emergency may be declared by the Governor, or determined to exist by the county governing authority. During times of declared emergency, procedures for emergency procurement will be in effect, as authorized in the Policy and Procedures Manual or other official documents</li> <li>• An emergency may be caused by an unexpected and urgent situation, but which does not rise to the level of a declared state of emergency. For procurement purposes, this level of emergency is described as an unexpected situation, which requires rapid response outside of established purchasing procedures. It may involve danger to health, life or property. It may involve an unexpected delay in delivery, depleted inventory, or an unusually high volume of work, depending on the situation</li> <li>• Care must be taken that adequate planning is done so that these situations do not occur when avoidable</li> </ul>	<ul style="list-style-type: none"> <li>• <b>“Principles and Practices of Public Procurement- Developing a Procurement Policy Manual” NIGP</b> <a href="http://engage.nigp.org/acton/attachment/24793/f-00d3/1/-/-/-/DEVELOPING%20PROCUREMENT%20MANUAL%20UPDATED.pdf">http://engage.nigp.org/acton/attachment/24793/f-00d3/1/-/-/-/DEVELOPING%20PROCUREMENT%20MANUAL%20UPDATED.pdf</a></li> <li>• <i>O.C.G.A. Title 36, Chapter 69, Article 2</i></li> <li>• <b>Source: Section 200.01, Procedure I of Fayette County Policies and Procedures</b></li> <li>• <b>Page 9 of Rockdale County Purchasing and Procurement Policy Number 2010-1-8</b></li> </ul>

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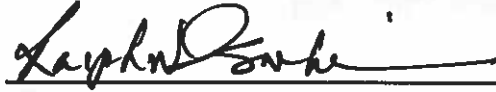
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2/21/2018  
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2/21/18  
Date

## **STATEMENT OF ACCORDANCE**

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### **Statement of Accordance**

*The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient county government and uniting the citizens of DeKalb County.*

*The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.*

*This performance audit was prepared pursuant to DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.*

*This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.*

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