

MARTHA INGLE



CLERK OF COURT, WALTON COUNTY, FLORIDA

Walton County
Clerk of the Court's Office
Purchasing Process Audit

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Clerk of the Courts

Internal Audit Department

Johnny Street
Internal Audit Manager

Report 09-01
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CLERK OF COURT, WALTON COUNTY, FLORIDA

August 4, 2009

Martha Ingle, Walton County Clerk of the Courts

The Internal Audit Department has conducted an audit of Walton County Clerk of the Courts' Purchasing Process. The purchasing process was reviewed for the period of October 1, 2007 to September 30, 2008 to determine if internal controls for purchases and expenditures are adequate and working properly. In addition, purchases were reviewed to ensure they were for bona fide goods and services which served a valid public purpose and were in compliance with state laws and the Clerk's office policies and procedures.

The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as considered necessary for the area under review. These standards require the audit to be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Based on the audit objectives, Internal Audit believes the evidence obtained provides a reasonable basis for the findings and conclusions.

Internal Audit appreciates the cooperation of the personnel of the Clerk's office during the completion of this audit.

Johnny Street
Internal Audit Manager

c: William Pennington, Finance Director
Cindy Yates, Chief Deputy Clerk
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EXECUTIVE SUMMARY

Executive Summary

The Internal Audit Department conducted a review of the Clerk of Courts' (Clerk) controls for purchases and expenditures. The review included an examination of the purchases and expenditures for the period of October 1, 2007 through September 30, 2008. The objective of the audit was to determine if adequate controls were in place to ensure purchases were made to help improve daily operations and service to the public. Also, to ensure purchases were completed properly and accurately. In addition, purchases were reviewed to ensure they were in compliance with all applicable policies and procedures, laws, statutes, and regulations.

In the opinion of internal audit, controls over the purchasing process were adequate during the audit period; however, there is room for improvement in the area of purchasing authorization spending limits and the competitive purchasing process.

Based on the test work performed by internal audit, the Clerk's purchasing process complied with applicable laws and regulations.

The Internal Audit Department commends the Clerk of Courts and the Clerk's personnel on their dedicated service to the public in ensuring that purchases are properly approved and for bona fide public purpose.

INTRODUCTION



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Background

The Clerk of the Courts established a purchasing function within the Clerk's Administration Department (Admin) to procure goods and services. Requisitions are entered into the purchasing system in most part by the purchasing clerk. The requisitions are sent to the Chief Deputy Clerk for approval. After this approval the requisition is sent to the Clerk's Finance for approval. After these approvals have been entered the purchasing clerk converts the requisition to a purchase order which is mailed or faxed to the vendor. When the items are received the purchasing clerk ensures all items are received. After this verification the items are sent to the department that ordered them where a second confirmation of items received compared to items on the purchase order. This second review is done because the purchasing clerk that ordered the items also receives the items and receipts them into the system. Some purchases are generated through other departments; however they are subject to a similar approval process and are still ordered by the purchasing clerk.

Scope, Objectives, and Methodology

The review of the purchasing process was conducted for the period of October 1, 2007 through September 30, 2008. The objective of the review was to determine if the Clerk's policies and procedures for the purchase of goods and services are adequately supported by good internal controls. The proper segregation of duties for the purchasing process was also reviewed. Additionally, the review was completed to ensure that the Clerk was in compliance with all federal, state, and local laws, regulations, resolutions, and ordinances.

To accomplish the audit objectives purchases and expenditures were reviewed to determine if the purchase was for a bona fide public purpose. Employee name and addresses were compared to a list of vendor's addresses and the names of the vendors or the listed owners. The purchase approval process was reviewed to ensure the purchase was properly approved according to established procedures. Purchases were also reviewed to ensure the purchase was not made prior to approval.

Additionally, purchase orders were compared to invoices and receiving slips to ensure all goods ordered were received. Further; the payments to vendors were reviewed to ensure the payments were timely and within statutorily set time frames. Additional audit procedures were performed that were considered necessary for the circumstances.



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Overall Conclusion

Based on the results of the work performed, the Walton County Clerk of the Courts provided good internal control over the purchase of goods and services and materially complied with applicable laws, rules, and regulations and policies and procedures. In the opinion of Internal Audit, the system of internal controls over the purchasing process was adequate. Recommended improvements are included in this report.

RECOMMEDATIONS FOR IMPROVEMENT

RECOMMENDATIONS
FOR IMPROVEMENT

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1. **Certain Purchases were Approved by Management that Exceeded The Authorized Spending Limitations.**

As part of the Clerk’s purchasing approval process, managers have different signature authorization levels. This is the maximum dollar amount that a manager is authorized to approve for a purchase. Amounts above that limit must be sent to the next management level for approval. During the audit, it was noted that seven purchase orders were approved by management that exceeded the amount they were authorized to approve.

The internal controls in place did not adequately prevent a manager from exceeding their spending limit. Good business practice would be to establish dollar limits allowed for approval of purchases; however, controls need to be in place that will prevent someone from authorizing a purchase that exceeds their authority. The result could be a manager obligating the Clerk for a large purchase without the appropriate authorization.

Internal Audit Recommends internal controls are implemented that will prevent a manager from exceeding their authorized spending limit.

2. **Price Quotes from More than One Vendor were not Always Obtained.**

During the review, internal audit examined the competitive procurement process. It was noted that some purchases, that were not sole source, were not competitively priced with more than one vendor. Florida Statute 287.001 states,

“The legislature recognizes that fair and open competition is a basic tenet of public procurement; that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically; and that documentation of the actions taken and effective monitoring mechanisms are important means of curbing any improprieties and establishing public confidence in the process by which commodities and contractual services are procured. It is essential to the effective and ethical procurement of commodities and contractual services that there be a system of uniform procedures to be utilized by state agencies in managing and procuring commodities and contractual services; that detailed



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justification of agency decisions in the procurement of commodities and contractual services be maintained; and that adherence by the agency and the vendor to specific ethical considerations be required.

The Clerk does not have a formal Purchasing Manual that could direct the purchasing clerk as to the duties that necessitate good business practice for procuring goods and services. Although the purchasing clerk was not aware of any requirements to competitively price certain items before making a purchase, it has been standard practice to review each purchase order and decide whether or not to solicit prices based on the history of the vendor's prices.

Good internal control would be to establish a written procurement manual that delineates the purchasing directives of the Clerk. In Addition, good business practice would be to maintain written documentation of prices, when directed to solicit price quotes.

Internal Audit Recommends that management develop a written Purchasing Manual for the procurement of goods and services. These procedures should direct the purchasing clerk in the competitive procurement process.