

AUDIT AND FINANCE COMMITTEE

Confirming Purchase Orders

Reason for the Report

During the course of its other investigations, the Audit and Finance Committee of the 2001/2002 Grand Jury heard several comments concerning the purchasing practices throughout the County, such as lack of pre-approval and circumvention of existing County purchasing contracts. Based on these comments, the Audit and Finance Committee investigated established policy (Purchasing Ordinance) and actual purchasing practices within the County.

Scope of the Investigation

The following documents were reviewed:

- County Ordinance Code pertaining to Purchasing Procedures;
- General Services Department documentation;
- County final budgets for the Fiscal Year 2001/2002; and
- Past Grand Jury reports.

The following persons were interviewed:

- Interim Chief Administration Officer;
- County Auditor/Controller;
- Interim Director of General Services; and
- Three employees from General Services.

Findings

F1: Chapter 3.12 of the El Dorado County Charter documents Purchasing Procedures and is known as the County Purchasing Ordinance. This section of the County Charter provides in part:

“3.12.020: The purpose of this chapter is to secure for the county taxpayers the advantages and economies which will result from centralized control over the purchase of supplies, materials, equipment and contractual services resulting from the application of modern, businesslike methods relative to government expenditures for such purchases. Further, this chapter is to adopt policies and procedures governing the purchase of supplies,

equipment and contractual services by the county in accordance with the Government Code, section 54201 et seq.

3.12.060: The purchasing agent may, and where legally required to do so, shall, authorize in writing any county department to purchase renewable types of office supplies and materials in total amounts of four hundred ninety-nine and 99/100 dollars (\$499.99) or less, utilizing the ‘direct’ purchase order form, independently of the county purchasing agent’s office; but such purchases shall be made in conformity with the applicable procedures. The purchasing agent may also rescind the authorization to purchase independently, by written notice to the county department unless otherwise prohibited by law.

3.12.070 A. Only department heads or their designated representatives may approve and sign direct purchase orders in total amounts of four hundred ninety-nine and 99/100 dollars (\$499.99) or less. Department heads may delegate such authority by filing a written authorization therefor with the purchasing agent and the auditor-controller. ... C. All departments shall strictly adhere to written purchasing procedures as they may be issued or amended from time to time by the purchasing agent or the board of supervisors.”

F2: The General Services Department in conjunction with the Information Services Department developed a tracking system to report the number and percentage of confirming purchase orders. Confirming or “after the fact” purchase orders are not acceptable and are a violation of County Purchasing Ordinance requirements. The data reflects purchase orders issued between \$0 - \$10,000.00. Data was not extracted for purchases exceeding \$10,000.00 since the competitive bidding threshold is established at \$10,000.00 by ordinance. The data does not include the issuance of blanket purchase order purchasing activity, but rather independent purchase orders that were requisitioned by departments as confirming.

Following are the results of this tracking system:

Reporting Period Ending	Total Purchase	Total Confirming	Percentage
Fiscal Year 2000-2001	\$14,716	\$10,955	74%
September 30, 2001	2,544	1,901	75%
December 31, 2001	4,043	2,997	74%
March 31, 2002	4,552	3,070	67%

F3: Purchase orders are sometimes “split” in order to circumvent required signature authority. For example, while a \$15,000 purchase requires competitive bidding, two \$7,500 purchases would not. This is an unacceptable practice.

F4: There is no system in place to hold department heads accountable for failing to adhere to County Purchasing Ordinance Requirements.

F5: Purchasing practices that do not adhere to the County Purchasing Ordinance subject the County to risks of overspending and poor budget management.

Recommendations

R1: All department heads must be held accountable for adhering to the County Purchasing Ordinance. Directors of departments ordering supplies and services without an appropriate purchase order or contract in advance of those orders should be required to appear before the Board of Supervisors, explain the reason(s) for such noncompliance, and obtain express approval for the unauthorized acquisitions.

R2: Each department head should develop a system to hold subordinates exercising purchasing authority accountable for noncompliance with the County Purchasing Ordinance.

R3: The County Purchasing Ordinance should be amended to expressly prohibit the “splitting” of purchase orders.

Responses Required for Findings

F2 through F5 El Dorado County Board of Supervisors

Responses Required for Recommendations

R1 through R3 El Dorado County Board of Supervisors