

FOLLOW-UP OF CONTRACT No 2022-003 WITH NAPA AUTO PARTS AND COOPERATIVE PURCHASE REQUEST CONTRACT WITH SOURCEWELL

November 2024

Original audit reports issued April 2021 and July 2021

Karen E. Rushing
Clerk of the Circuit Court and
County Comptroller
Office of the Inspector General
Sarasota County, Florida



CONTENTS

Executive Summary	2
Summary and Results	3
Open Conditions and Pending Corrective Action	8
Closed Conditions and Follow-up Results	10
Appendix A Original Audit Reports issued April 2021 and July 2021	21

AUDIT SERVICES

Jeffrey Lilley, CPA, CIG
Director of Internal Audit and Inspector General

Lead Auditor
Sofya Bogdanova, CFE, CIGA, CIGI, CGI
Senior Internal Auditor/ Investigator

Auditor
Eleanor Connell
Internal Auditor/ Investigator

Please address inquiries regarding this report to Jeffrey Lilley, by e-mail at jlilley@sarasotaclerkandcomptroller.com or by telephone at (941) 650-0948. This and other reports prepared by the Office of the Inspector General are available at <http://www.sarasotaclerk.com/inspector-general/inspector-general-audit-reports>.



Executive Summary

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted independent follow-up audits of two County Contracts: Contract No. 2022-003, formerly known as Contract No. 2017-055, a Term Contract for Fleet-Related Maintenance Equipment, Supplies, Services and Inventory Management Solutions and an audit of the Sourcewell Contract, previously referred to the Cooperative Purchase Request for the National Joint Powers Alliance. The purpose of the audits was to evaluate the steps taken to address the observations reported in the original audit reports. These reports identified a combined nine (9) observations and management leadership has corrected eight (8), showing significant improvement in their operation.

The original audit of Contract No. 2017-055, Term Contract for Fleet-Related Maintenance Equipment, Supplies, Services and Inventory Management Solutions, detected non-compliance with the following contractual stipulations related to:

- Plan pricing,
- NAPA Product Cost,
- Gross profit rate,
- Supporting documentation,
- Inappropriate purchases, and
- Review process for NAPA invoices.

Since the original audit, Contract No. 2017-055 expired and was replaced by a new County Contract, No. 2022-003, with the same contractual stipulations. In the new Contract the Fleet Services Department, includes a more in-depth explanation of the gross profit rate calculations. Additionally, the Fleet Services Department has enhanced their review process to ensure the contractual stipulations are followed. While the enhanced application appears to have improved the overall process of review and processing of the NAPA invoices, there are still detected issues, such as a lack of supporting documentation related to inappropriate purchases, which could result in the County over paying for parts and services.

The original audit of the Contract for the Cooperative Purchase Request for National Joint Powers Alliance detected non-compliance with the following contractual stipulations related to:

- Thresholds limits for purchases,
- Inappropriate purchases, and
- Supporting documentation.

Since the original audit, the Contract for the Cooperative Purchase Request for National Joint Powers Alliance was replaced by a new Contract for Sourcewell (Solicitation Number RFP #091521 and RFP #110520. The new contract has the same contractual stipulations as the previous one and also includes a table of specifications that has a more in-depth and detailed explanation of what Sourcewell can and cannot provide to the Fleet Service Department. In addition to the new Sourcewell contract, Fleet Services Department significantly enhanced their process for purchasing fleet vehicles and related equipment.



Summary and Results

Background

The purpose of the November 2024 Follow-up Audit of Contract No 2022-003 *with* NAPA Auto Parts, National Auto Fleet Group, and Cooperative Purchase Request Contract with Sourcewell was to determine if the internal controls, specifically related to processes used by the County to monitor compliance with the terms of Contract No. 2022-003 *and* Cooperative Purchase Request for Sourcewell, were operating effectively. Please note, this audit report is a combined follow-up report for **two** previous audits: Audit of the Contract No. 2017-055 and Audit of the Cooperative Purchase Request for National Joint Powers Alliance (NJPA). The scope of the audit included an evaluation and assessment of whether management actions have been effectively implemented to address the Opportunities for Improvement listed in the original audits. As both audits will be addressed in this report, each item will be dictated in a way to indicate which audit it is referring to.

The original Audit of the NAPA audit Parts listed a Contract No. 2017-055, which was entered into on December 1, 2016, and continued to be in place until November 30, 2021. This agreement has been amended twice, with an amendment on September 25, 2017 which lowered the gross profit from 10% to either 8% or 6%, based on the invoice amount for “outside” purchases or services and amendment dated December 18, 2018, which lowered the gross profit from either 8% or 6% depending on the invoice amount for “outside” purchases, to a flat 8% for all purchases or services, regardless of amount for “outside” purchases. The Contract No. 2017-055 expired and a new Contract No 2022-003 was entered into on May 27, 2021 and is currently in effect for the NAPA Auto Parts.

The contractor is required to maintain and operate three vehicle and equipment maintenance parts facilities (on-site stores) at existing Fleet Services facilities throughout Sarasota County during normal working hours, five days a week, Monday through Friday. The County is invoiced for all inventory purchases pursuant to the Agreement on a monthly basis according to the pricing plan in Exhibit B of the Agreement.

This audit focused specifically on review and evaluation of the supporting documentation to ensure that management actions have been effectively implemented, to address the Opportunities for Improvement listed in the original audit. The original audit report of Contract No. 2017-055, currently No. 2022-003, identified the following areas where contractual stipulations were not followed.

- NAPA Pricing Plan Summary,
- NAPA Product Costs, and

- Gross Profit Rate
- Supporting Documentation,
- Inappropriate Purchases, and
- Review Process for NAPA Invoices

From February of 2017 through January 2021, Sarasota County was in a cooperative purchasing agreement (“piggyback”) with the National Joint Powers Alliance. A “piggyback” is a contract that allows Sarasota County, a third party, the procurement of services and goods, such as vehicles and related equipment and accessories, through an already existing contractual framework (between NJPA and the State of Florida). This previous agreement utilized a “Percent off Manufacturers Suggested Retail Price (MSRP) Pricing Model” and allowed for discounts of up to 25.86% off MSRP.

Currently, Sarasota County is in a cooperative purchasing agreement (“piggyback”) with Sourcewell and utilizes both solicitation numbers to provide services, mainly to the County’s Fleet Services Department. Sourcewell, with NAPA Integrated Business Solutions, entered into a contract in December of 2020, with the National Auto Fleets contract being signed in November 2021. Per their contract(s), NAPA, under the parent company, Genuine Parts, is listed as a ‘Vendor’ for Sourcewell that provides products, services, and/or equipment to Sourcewell and the entities that are contracted with Sourcewell through cooperative purchasing agreements. Through this, the County is provided equipment and services including, but not limited to: technician training, auto parts ranging from small vehicles to heavy-duty, industrial vehicles/trucks, as well as having emergency, 24/7 services, and vendor-managed inventory options available. These current cooperative purchasing agreements that Sarasota County is a part of, are structured on a Pricing List/Model, as well, and offer discounts up to 24.45% off the MSRP and include pricing for “up-fitting” options that can be added to the vehicle for purchase.

This audit focused specifically on the analyzation of invoices and related supporting documentation to ensure that management actions were effectively implemented to address the Opportunities for Improvement, listed in the original audit. The original audit report of **Cooperative Purchase Request for NJPA**, currently Sourcewell, concluded the proper internal controls/ procedures/ review process utilized for the invoices were not in place, in regards to:

- Threshold Limits for Purchases
- Inappropriate Purchases
- Supporting Documentation

Objectives

The objective(s) of this follow-up audit were to evaluate the observations reported in the Contract No. 2017-055 (dated April 2021) and Cooperative Purchase Request for National Joint Powers Alliance (dated July 2021) audit reports, as well as the subsequent corrective actions taken by responsible management. This was achieved through providing independent, objective analysis as well as reasonable assurance that the previous concerns have been addressed with the appropriate, corrective measures implemented.

To meet the objective(s) of the follow-up audit, the following procedures were performed:

- Performed inquiries of the Fleet Services Division staff.
- Obtained an understanding of changes made to both Contract No. 2022-003 and Cooperative Purchase Request for Sourcewell since the original audit report date.
- For Contract No. 2022-003, formerly No. 2017-055: IAD examined a sample of NAPA COPAR Invoice Packets that were paid in the period of January 1, 2023 through December 31, 2023. Of a total of 211 invoices, a random sample of 62, or 30 percent was selected and tested.
- For Cooperative Purchase Request for Sourcewell, formerly NJPA: IAD examined a sample of invoices, made under the Purchase Request, that were paid in the period of January 1, 2023 through December 31, 2023. Of a total of 51, a random sample of 30, or 59 percent were selected and tested.

Overall Results

For Contract No. 2022-003, formerly 2017-055:

Based on the results of our follow-up audit procedures, Fleet Services Division has addressed five (5) of the six (6) previous concern(s) and implemented appropriate corrective action on the condition(s) identified in the original audit report.

Open Conditions and Pending Corrective Action*
--

5. Inappropriate Purchases (Contract, 2022-003)
--

Closed Conditions and Follow-Up Results*
--

1. Plan Pricing Summary

2. NAPA Product Costs

3. Gross Profit Rate

4. Supporting Documentation (Contract 2022-003)
--

6. Review Process for NAPA invoices
--

**The conditions above are categorized by the current status and are numbered to correlate with the original audit report's Opportunities for Improvement.*

Although one (1) *Opportunity for Improvement* remain open, this concludes the follow-up audit process as it relates to Contract No. 2022-003, formerly known as Contract No. 2017-055.

Overall Results

For Cooperative Purchase Request for Sourcewell, formerly NJPA

Based on the results of our follow-up audit procedures, Fleet Services Division has addressed the previous concern(s) and implemented appropriate corrective action on the condition(s) identified in the original audit report.

Closed Conditions and Follow-Up Results*
7. Threshold Limits for Purchases
8. Inappropriate Purchases (Sourcewell)
9. Supporting Documentation (Sourcewell)

**The conditions above are categorized by the current status and are numbered to correlate with the original audit report's Opportunities for Improvement.*



Open Conditions and Pending Corrective Action

A total of **1 of the 6** conditions identified in the original report for **Contract No 2022-003** remain open and continue to require management attention.

5. Inappropriate Purchases (Contract 2022-003)

Current Status, Follow-Up Audit dated Month 2024:

During the Internal Audit Department's (IAD) testing and analysis of the 62 COPAR Invoice Packets, a single invoice was identified as an invoice for the training to County employees. Per new Contract No 2022-003 stipulations, training should be approved by a manager in writing prior to the training taking place and an invoice for training should be accompanied by the quote outlining the price for the training. As a result of testing methodology and inquiries, it was identified that manager approval for this invoice was done verbally and no written approval exist. Also, Fleet Department was unable to provide IAD with the copy of the quote for this invoice, as the previous employee who was handing this process was no longer employed by the County. It was determined that contractual stipulations were not followed correctly while processing this County employees training, IAD considers Opportunity for Improvement No. 5- Inappropriate Purchases, as open.

Original Audit Observation, Report dated April 2021:

In Exhibit A of the Agreement, Section 6.0 states that the "Contractor shall provide/coordinate technical (mechanical) training to County employees as deemed appropriate for use of new or current products. The cost, if any, for such training will be mutually agreed upon in writing by the county and the Contractor via an amendment to this Agreement".

As a result of the testing methodology identified in Opportunity for Improvement No. 4 – Gross Profit Rate, it was determined there were a total of four transactions, totaling \$37,478.11 that appeared to be inappropriate purchases against the contract. The four transactions were listed below:

- Two purchases were related to an agreement with Stryker (\$13,746.24),
- One purchase was related to an agreement for the Fuel Island (\$15,091.87), and
- One purchase was related to vendor training (\$8,640).

The auditor determined the purchase related to the Fuel Island was erroneously paid against a Purchase Order associated with Contract No. 2017-055. The error was identified and a refund for the full amount was returned to the County.

Upon review of the two amendments, a mutually agreed upon price for training was not included in either amendment. Additionally, the other three purchases were for two different maintenance agreements, which appears they should not have been paid against this agreement.

Original Recommendations, Report dated April 2021:

To ensure compliance with the intent of the agreement, the Fleet Department should monitor purchases to ensure they meet the contractual requirements in order to be purchased using the agreement. If future training is to be purchased through the agreement, ensure the cost is mutually agreed upon by both parties and that the agreement is amended to include the agreed upon cost of training.

Management Response:

The original audit findings have been addressed previously and corrected in current procedures. Fleet Services agrees with the current audit findings. We had corrected the approval process for training before the current audit. However, one instance was found where we could not provide written prior approval. This is usually done by email, and our operations manager could not locate it. The vendor's representative no longer works for them, and they could not produce the written authorization. As stated, this process was corrected even before the current audit.

Currently, the operations manager approves any proposed technician training sessions in writing and keeps copies of the correspondence in a folder on the I-Drive for easy access and review.



Closed Conditions and Follow-Up Results

A total of **5 of the 6** conditions identified in the original report for **Contract No 2022-003** have been closed.

1. Plan Pricing Summary (Contract 2022-003)

Current Status, Follow-Up Audit dated November 2024:

Current Contract, No. 2022-003, outlines a new, consistent “Gross Profit” Rate of 8% across all NAPA product costs, non-NAPA product costs, and “Outside” products or services.

IAD tested 62 COPAR Invoice Packets that were paid during the period of January 1st, 2023-December 31st, 2023. Based on IAD calculations, an average gross profit rate of NAPA and non-NAPA transactions is at, or slightly below, the contracted 8%.

No material issues were identified during the audit process and IAD considers Opportunity for Improvement No. 1- Plan Pricing Summary as, closed.

Original Audit Observation, Report dated April 2021:

In Exhibit B of the Agreement, the “Fee Schedule”, refers to a Price Plan Summary which outlines the net profit rate that the contractor is to bill the County for product costs. Language in the contract states that NAPA product costs and Non-NAPA product costs are to be billed to the County at a 10% gross profit rate, unless the Non-NAPA product cost is listed as an “outside” product or service. Any “outside” purchase would result in either an 8% or 6% gross profit rate, based on the amount of the invoice. However, directly underneath the language that states a 10% gross profit rate, a calculation is also provided that states the gross profit is to be calculated by the “acquisition cost divided by .9”. The auditor determined that the gross profit rate is actually 11.1% when using this calculation.

Original Recommendations, Report dated April 2021:

The County should review the contract and determine which gross profit rate was intended and then the language and calculation should be modified so that they are both in alignment.

2. NAPA Product Costs (Contract 2022-003)

Current Status, Follow-Up Audit dated November 2024:

IAD tested and analyzed 62 COPAR Invoice Packets that were paid during the period of January 1st, 2023- December 31st, 2023. Through this process the following was identified:

- Seven (7) COPAR Packets submitted had total amounts that varied from the amount paid out by the County Finance Department due to incorrect freight markup calculations on the original invoices from NAPA. It was determined the Finance Department identified the transactions and adjusted the total amounts. No issues identified.
- Several of the COPAR Packets total invoice amounts were slightly different than IAD's re-calculations. Analysis of the variations show that on average, per individual invoice, the deviation is less than \$0.30. However, IAD did note three (3) COPAR Packets that had a total invoice amount variation greater than \$10, though the average deviation, per COPAR Packet, calculated at less than \$3.00. This does not appear to impact the gross profit rate and IAD considers these deviations to be immaterial.

No material issues were identified during the audit process and IAD considers Opportunity for Improvement No. 2- NAPA Products Costs, as closed.

Original Audit Observation, Report dated April 2021:

In Exhibit B of the Agreement, the "Fee Schedule", refers to the contractor being able to bill the County at a specified gross profit rate. The contract states that NAPA Product Costs are to be "billed to the County at a 10% gross profit rate."

The contractor provides County staff with access to a live database that shows pricing for over 750,000 parts. After an order is processed, the County is invoiced and the prices are based on the live database prices. The auditor obtained access to the database and reviewed details related to pricing listed in the database. Each part listed includes the List price and the Cost price. The Cost price is what the County pays when they order from the contractor.

It appears the County is receiving a discounted rate. However, based on the pricing provided in the database, there is no way to determine if the contractor is yielding a gross profit of 10% on NAPA Product Costs. Additionally, there is no documentation being retained that would indicate the list price at the time of the purchase.

Original Recommendation, Report dated April 2021:

The County should require the contractor to include their cost for parts listed in the database, or consider modifying the language of the contract to reflect the percentage discount the County is entitled to that would approximately equate to yield a gross profit of ten percent.

3. Gross Profit Rate (Contract 2022-003)

Current Status, Follow-Up Audit dated November 2024:

Current Contract, No. 2022-003, outlines a new, consistent “Gross Profit” Rate of 8% across all NAPA product costs, non-NAPA product costs, and “Outside” products or services. This contract also includes a more in-depth explanation for calculating the gross profit rates, containing the formula, Acquisition Cost/0.92.

Utilizing this formula, IAD tested 62 COPAR Invoice Packets that were paid during the period of January 1st, 2023- December 31st, 2023. Based on IAD calculations, an average gross profit rate of NAPA and non-NAPA transactions is at, or slightly below, the contracted 8%.

No material issues were identified during the audit process. IAD considers Opportunity for Improvement No. 3- Gross Profit Rate, as closed.

Original Audit Observation, Report dated April 2021:

In Exhibit B of the Agreement, the “Fee Schedule”, refers to the contractor being able to bill the County at a specified gross profit rate. The contract states both “NAPA Product Costs and Non-NAPA Product Costs shall be set by the Contractor to yield a gross profit of ten percent (10%).” However, in the first amendment, on September 25, 2017 “outside” purchases and services (Non-NAPA Product Costs) are to be charged a gross profit rate of 8% for purchases under \$25,000 and 6% for purchases over \$25,000.

The auditor identified a total of 484 paid invoices against Purchase Orders issued between Fiscal Year 2018 and 2020. Of those paid invoices, a statistical sample of 214 paid invoices were selected for review. Each invoice batches multiple invoices into a single invoice that is applied to a Purchase Order.

Upon review of the 214 sampled invoices and supporting documentation, it was determined that 13 individual invoices (or 6.1%) exceeded the allowed gross profit rate. This resulted in an overpayment of \$1,584.

Original Recommendation, Report dated April 2021:

To ensure compliance with the contract, the County should review and verify the gross profit rate of each invoice prior to approving them for payment.

4. Supporting Documentation (Contract 2022-003)

Current Status, Follow-Up Audit dated November 2024:

IAD tested and analyzed 62 COPAR Invoice Packets that were paid during the period of January 1st, 2023- December 31st, 2023, to determine if:

- All invoices within the packets had relevant supporting documentation to back up the purchase/ price of non-NAPA products and any freight/delivery charges
- All packets included a spreadsheet with the list of invoices submitted for reimbursement for a given month and the spreadsheet accurately identifies the type of category the NAPA invoice is pertaining to, such as: part, freight, labor, training, or other

IAD identified several NAPA invoices that did not have any source invoices, however the NAPA invoices were able to be tied to the monthly operating expense invoices (SCG invoices). IAD considers these deviations to be immaterial and considers Opportunity for Improvement No. 4- Supporting Documentation, as closed.

Original Audit Observation, Report dated April 2021:

Section 8.2.1 of the contract states “invoices shall contain a complete account of all activity for the month ending, including, but not limited to:

- a. part numbers
- b. quantity sold
- c. cost of parts sold to the County
- d. cost of delivery (shipping & handling) for County pre-approved special-order requests on direct charge and/or non-stock items as specified in this Term Contract”

As a result of the testing methodology identified in Opportunity for Improvement No. 4 – Gross Profit Rate, it was determined that 10 individual invoices (or 4.7%) either:

- failed to provide any supporting documentation, or
- provided supporting documentation that:
 - o did not match with the invoice,
 - o was not complete,
 - o was scanned in and left off the cost, or
 - o did not provide any description as to what was being purchased other than part numbers.

Original Recommendation, Report dated April 2021:

In order to ensure compliance with the contract and to make the invoices clear for reviewers, the County should require that all invoices are supported with documentation that:

- is complete and matches the invoice,

- includes legible parts numbers, item descriptions, quantities sold, and costs, and
- includes a description of what was purchased

6. Review Process for NAPA Invoices (Contract 2022-003)

Current Status, Follow-Up Audit dated November 2024:

IAD tested and analyzed 62 COPAR Invoice Packets that were paid during the period of January 1st, 2023- December 31st, 2023, to determine if:

- All COPAR Packets had a manager signature to ensure they are reviewed for completeness and accuracy
- All COPAR Packets included a spreadsheet with the list of invoices submitted for reimbursement for a given month and that the spreadsheet accurately identifies the type of category the NAPA invoice is pertaining to, such as: part, freight, labor, training, or other
- All submitted invoices were correct and accurate with the contracted 8% gross profit rate (that does not include freight in the markup), and they have the necessary original price back up attached to the invoice

Through this testing process, IAD identified the following:

- The coversheet for all COPAR Packets still listed the previous contract number, 2017-055, even though the current contract is No. 2022-003
- One (1) invoice included a freight charge in the markup that was not identified through the Fleet Services Department's review process (or by the Finance Department)

The review process has been substantially improved upon and all the necessary supporting documents are attached to the COPAR packets. While IAD still sees small items that appear to need improvements, IAD does not see these small items as material enough and considers Opportunity for Improvement 6- Review Process for NAPA Invoices, as closed.

Original Audit Observation, Report dated April 2021:

NAPA creates weekly invoice packets, separates the purchases by each of the three locations, and then sends an excel spreadsheet to the Fleet Department. The spreadsheet includes the invoice number, date, amount, and corresponding purchase order. The Fleet Administrative Specialist will then update the spreadsheet with the week ending date and break down each individual purchase into different "Line" items that reflect the different costs that are allowable under the contract (i.e. – parts, labor, and service costs). NAPA then provides the Fleet Department with a coversheet for the weekly invoice packet which includes information such as:

- Purchase Order No.
- Contract No.
- Account No.
- Invoice No.
- Statement Date
- Detailed Line Item Amounts
- Total Invoice Amount

The auditor determined that the Fleet Department has written procedures in place for processing NAPA invoices. The procedures require a Fleet Manager to review each weekly invoice packet. However, when the auditor met with the Fleet Administrative Specialist and the Manager II, they stated that after the Administrative Specialist receives the coversheet and weekly invoice packet, the Administrative Specialist reviews it and submits it to the Finance Department without manager review as required in their procedures.

Original Recommendation, Report dated April 2021:

To help ensure the County is reviewing and monitoring NAPA purchases, the Fleet Department should include a statement, preparer's signature, and reviewer's signature on the Coversheet. Per the department procedure, the Fleet Manager should be reviewing and approving all invoices. Additionally, the procedure should also require that the manager is to sign each invoice to document the approval process.

A total of **3 of the 3** conditions identified in the original report for the **Contract for the Cooperative Purchase Request for Sourcewell**, formerly National Joint Powers Alliance have been **closed**.

7. Threshold Limits for Purchases (Sourcewell)

Current Status, Follow-Up Audit dated November 2024:

IAD analyzed and tested a random sample of 30 invoices, paid during the period of January 1st, 2023- December 31st, 2023, and related quotes to ensure that all purchases made under the Sourcewell Cooperative Purchasing Agreement were authorized and approved by the appropriate level of authority. IAD identified the majority of the purchases made under the cooperative agreement were authorized by the BOCC.

Several purchases did not include the BOCC authorization, however, an inquiry to the Fleet Services Department identified those purchases as part of the annual disposal plan. IAD obtained the Fiscal Year (FY) 2023 Disposal Plan and compared the items purchased to the list of disposed equipment.

No material issues were identified during the audit process and IAD considers Opportunity for Improvement 7-Threshold Limits for Purchases, as closed.

Original Audit Observation, Report dated July, 2021:

Chapter 8 of the Procurement Manual outlines the different procurement methods that can be used when the County needs to procure a product or service. One of the primary ways to determine which procurement method should be used is by setting dollar threshold limits and defining what is required at each threshold.

Resolution No. 2016-055 outlines the delegated spending authority for each threshold. Those thresholds are listed below:

- The Procurement Official can authorize purchases up to \$50,000,
- The County Administrator can authorize purchases up to \$100,000, and
- The BCC authorizes purchases of \$100,000 or more.

Chapter 8.5 states that the Procurement Official has the authority to join with other units of government for cooperative agreements. After the approval is obtained, the agreement must be approved based on the delegated spending authority levels.

The auditor determined that after the cooperative agreement is approved by the BCC (for cooperative agreements of \$100,000 or more), all individual purchases made against the agreement no longer have to obtain approvals based on the delegated spending authority levels.

Original Recommendation, Report Dated July, 2021:

To ensure controls are in place to monitor cooperative agreement expenditures, the County should modify the language within the Procurement Manual and related SOP's. Purchases made under a cooperative agreement should be required to obtain approval based on identified dollar threshold limits. Additionally, all purchases of \$50,000 or more should be reviewed by the Procurement Official to ensure the purchase is an allowable purchase under the agreement.

8. Inappropriate Purchases (Sourcewell)

Current Status, Follow-Up Audit dated November 2024:

IAD reviewed and tested the invoices from the random sample, paid during the period of January 1st, 2023- December 31st, 2023, in detail to ensure the purchases made with the Sourcewell Cooperative Purchasing Agreement were appropriate, as outlined within the contract.

Out of all 30 transactions tested, IAD did not identify any purchases made that were outside the scope of the contract. IAD considers this Opportunity for Improvement 8- Inappropriate Purchases, as closed.

Original Audit Observation, Report dated July, 2021:

Section 3.16 states that the scope of the NJPA Cooperative Agreement is to supply “Vehicles, cars, vans, SUVs, and light trucks with related equipment, accessories, and services”. Section

3.17.2.1 states that primary focus is to provide vehicles, cars, vans, SUVs, and light trucks and that related equipment, accessories, and services are only meant to be included as incidental purchases.

However, Section 5.25 and 5.26 states that Sourced Goods or Open Market Items are products that can be purchased under contract that are not currently available under the NJPA contract. These items can be requested for purchase as long as they are within the related scope of the contract. Section 5.27 states that these items can be sourced to the extent that the items are identified as “Sourced Products/Equipment” or “Open Market Items” on any quote issued.

The auditor obtained a population of 141 invoices that were paid against PO’s issued between October 1, 2017 and April 9, 2020. Of those invoices, a statistical sample of 103 were selected and supporting documentation was obtained and reviewed.

During review it was noted that there were five purchases made against four PO’s that did not accompany a purchase for a vehicle, car, van, SUV, or light truck. *Each purchase lacked supporting documentation indicating they were purchases for “Sourced Products/Equipment or “Open Market Items” as required by Section 5.27 of the agreement. The purchases were for a large standalone directional drill, a pull behind air compressor, and three trailers.*

Original Recommendation, Report dated July, 2021:

To ensure compliance with the intent of the cooperative agreement, the County should monitor purchases to ensure the purchases align with the contract. When additional related equipment and accessories are purchased, they should be included with the accompanying purchase and must be procured through the required contract sourcing process.

9. Supporting Documentation (Sourcewell)

Current Status, Follow-Up Audit dated November 2024:

During the review and testing of the 30 sampled transactions, paid during the period of January 1st, 2023- December 31st, 2023, IAD matched each individual line item in the invoices to the corresponding price list and quote to ensure accuracy of item total and description. Non-material items were identified in the testing period during the audit process, however, other testing and information received has shown that corrections have been made to this process subsequently.

Invoices submitted to the Finance Department for processing had several supporting documents attached to the original invoice as backup, such as: a quote, source invoice for any upfitting equipment bought from vendors, and in some instances, pages from the price list attached with the listed items' prices highlighted for easier identification.

No material issues were found and IAD considers this Opportunity for Improvement 9- Supporting Documentation, as closed.

Original Audit Observation, Report dated July, 2021:

The Purchase Requisition process, which is outlined in Standard Operating Procedure (SOP) #34 – *Purchase Requisition Process*, requires that the requesting department provide all necessary supporting documentation to the procurement analyst for review. The SOP states that “quotes and other required backup documentation must be imported into BCC OnBase” and that Purchase Requisition (PR) “line items and/or unit prices must match proposal, quote or contract fee schedule.”

The auditor obtained a population of 141 invoices that were paid against PO's issued between October 1, 2017 and April 9, 2020. Of those invoices, a statistical sample of 103 were selected and supporting documentation was obtained and reviewed.

During review it was noted that:

- 94 quotes listed in OnBase included 388 line items that:
 - Couldn't be found in the pricelist (301),
 - Appeared to be overcharged (24), or
 - Appeared to be undercharged (63), and
- three invoices did not include supporting quotes for all or part of the PO.

Original Recommendation, Report dated July, 2021:

To ensure compliance with SOP #34 – Purchase Requisition Process, the requesting departments must provide all supporting documentation for the purchase and all line items in the Purchase Requisition must match the contract price list.



Appendix A

Attached to this Follow-up are the original audit reports, published in April 2021 (Contract 2022-003, formerly 2017-055) and July 2021 (Cooperative Purchase Request for Sourcewell, formerly NJPA).



AUDIT OF CONTRACT No. 2017-055 EQUIPMENT, SUPPLIES, SERVICES, AND INVENTORY MANAGEMENT SOLUTIONS

April 2021



Karen E. Rushing
Clerk of the Circuit Court and County Comptroller
Office of the Inspector General
Sarasota County, Florida



CONTENTS

Executive Summary	2
Background and Objectives	3
Opportunities for Improvement and Management Responses	5

AUDIT SERVICES

David Beirau, CFE, CIG, CIGA, CIGI, CGI

Director of Internal Audit and Inspector General

Auditor

William Bousman, CFE, CIGA, CIGI, CGI

Senior Internal Auditor/Investigator

Please address inquiries regarding this report to David Beirau, by e-mail at dbeirau@sarasotaclerkandcomptroller.com or by telephone at (941) 861-5280. This and other reports prepared by the Office of the Inspector General are available at <http://www.sarasotaclerk.com/inspector-general/inspector-general-audit-reports>.



EXECUTIVE SUMMARY

The Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of Contract No. 2017-055 Term Contract for Fleet-Related Maintenance Equipment, Supplies, Services and Inventory Management Solutions. The audit was conducted at the request of County Administration. The purpose of the audit was to evaluate the effectiveness of processes used by the County to monitor for compliance with the terms of the contract.

The audit detected non-compliance with the following contractual stipulations related to:

- Plan pricing,
- NAPA Product Cost,
- Gross profit rate,
- Supporting documentation,
- Inappropriate purchases, and
- Review process for NAPA invoices.

The contractually stated gross profit rate and calculation provided are incongruent. NAPA product costs are not available and NAPA invoices do not clearly define NAPA product costs or Non-NAPA product costs. Additionally, there is a lack of review and monitoring as it relates to the gross profit rates paid and the supporting documentation provided with the invoices, which could result in inappropriate purchases and the County over paying for parts and services.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Contract No. 2017-055 Term Contract for Fleet-Related Maintenance Equipment, Supplies, Services and Inventory Management Solutions. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to determine compliance with the terms of the contract.

Background

Sarasota County entered into an equipment, supplies, services, and inventory management solutions agreement (Agreement) with the Genuine Parts Company. The initial Agreement, Contract No. 2011-550, was entered into on September 13, 2011. A second Agreement, Contract No. 2017-055, was entered into on December 1, 2016, and continues to be in place until November 30, 2020. This agreement has been amended twice with an amendment on September 25, 2017 which lowered the gross profit from 10% to either 8% or 6% based on the invoice amount for "outside" purchases or services. The current Agreement may be renewed for up to one additional one year period subject to written agreement of both parties.

The contractor is required to maintain and operate three vehicle and equipment maintenance parts facilities (on-site stores) at existing Fleet Services facilities throughout Sarasota County during normal working hours, five days a week Monday through Friday. The County is invoiced for all inventory purchases pursuant to the Agreement on a monthly basis according to the pricing plan in Exhibit B of the Agreement. The overall goal of the pricing plan is to achieve a 10% net profit for the contractor by adjusting the pricing for two elements, Product Costs and Operational Costs.

Product Costs can be broken down by either "NAPA Product Costs" or "Non-NAPA Product Costs". NAPA Product Costs use the pricing of NAPA supplier manufactured products. Non-NAPA Product Costs use the pricing of products which have not been manufactured by NAPA suppliers but which have been acquired for the County by the Contractor pursuant to the Agreement. Non-NAPA Product Costs also include any "outside" purchases or services, which

may be billed at 8% or 6% based on the invoice amount. Operational Costs are any and all cost and expenses associated with the operation of the on-site stores.

The audit focused on reviewing supporting documentation for both product and operational costs billed to the County. Between the period of October 1, 2017 through April 3, 2020, there were a total of 484 paid invoices that were billed to 23 Purchase Orders related to Contract No. 2017-055. Each of these invoices typically contains multiple individual purchases.

Objectives, Scope and Methodology

The objectives of this audit was to determine that policies and procedures are in place and documentation is available to support the effective and efficient administration of the Agreement.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained an understanding of the contract and amendments.
- Performed inquiries of responsible personnel.
- Selected a statistical random sample of 214 invoices and reviewed at least two individual purchases within each invoice.
- Evaluated documentation for compliance with provisions of the Agreement.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Ensuring effective organization performance management and accountability,
- (Standard 2120.A1) Effectiveness and efficiency of operations and programs, and
- (Standard 2130.A1) Effectiveness of controls, particularly compliance with laws, regulations, and contracts. As well as, compliance with policies and procedures and the reliability and integrity of financial and operational information.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were six *Opportunities for Improvement* identified as a result of the audit:

1. **Plan Pricing Summary**
2. **NAPA Product Costs**
3. **Gross Profit Rate**
4. **Supporting Documentation**
5. **Inappropriate Purchases**
6. **Review Process for NAPA Invoices**

1. Plan Pricing Summary.

Observation

In Exhibit B of the Agreement, the “Fee Schedule”, refers to a Price Plan Summary which outlines the net profit rate that the contractor is to bill the County for product costs. Language in the contract states that NAPA product costs and Non-NAPA product costs are to be billed to the County at a 10% gross profit rate, unless the Non-NAPA product cost is listed as an “outside” product or service. Any “outside” purchase would result in either an 8% or 6% gross profit rate, based on the amount of the invoice. However, directly underneath the language that states a 10% gross profit rate, a calculation is also provided that states the gross profit is to be calculated by the “acquisition cost divided by .9”. The auditor determined that the gross profit rate is actually 11.1% when using this calculation.

Recommendation

The County should review the contract and determine which gross profit rate was intended and then the language and calculation should be modified so that they are both in alignment.

Management Response

Amendment No. 3 was approved September 9, 2020 by the BCC, with a new “Gross Profit” Rate amount of 8% on NAPA products costs, Non-NAPA product costs, and “Outside” products or services. The new pricing will be effective October 1, 2020.

As stated in the Amendment, the “Gross Profit” is calculated by dividing the Current NAPA Jobber Acquisition Cost by 0.92. The Fleet Services Division has reviewed this calculation and confirms that this is an accurate methodology for calculating the Agreement “Gross Profit.” “Gross Profit” is based on a percentage of the delivered price; markup is based on a percentage of the vendor cost.

In addition, the Fleet Services Division has adopted a new Internal Procedures that include purchase threshold approvals for high-cost items. Any item purchase of \$250,000 or above requires approval from the Generals Services Director. Items costing \$50,000 or more require approval from the Facilities and Fleet Operations Manager. All other items are approved and reviewed weekly by the Fleet Manager or Assistant Fleet Manager. Furthermore, the monthly audit of the profit rate charged and verifies the “Gross Profit” on “outside” service invoices with supporting documents showing vendor cost are attached prior to submitting to the Clerk’s Office. NAPA has created a monthly report that reflects the vendor cost of the product sold and the delivered price of the product which will be utilized for the monthly audit.

2. NAPA Product Costs.

Observation

In Exhibit B of the Agreement, the “Fee Schedule”, refers to the contractor being able to bill the County at a specified gross profit rate. The contract states that NAPA Product Costs are to be “billed to the County at a 10% gross profit rate.”

The contractor provides County staff with access to a live database that shows pricing for over 750,000 parts. After an order is processed, the County is invoiced and the prices are based on the live database prices. The auditor obtained access to the database and reviewed details related to pricing listed in the database. Each part listed includes the List price and the Cost price. The Cost price is what the County pays when they order from the contractor.

It appears the County is receiving a discounted rate. However, based on the pricing provided in the database, there is no way to determine if the contractor is yielding a gross profit of 10% on NAPA Product Costs. Additionally, there is no documentation being retained that would indicate the list price at the time of the purchase.

Recommendation

The County should require the contractor to include their cost for parts listed in the database, or consider modifying the language of the contract to reflect the percentage discount the County is entitled to that would approximately equate to yield a gross profit of ten percent.

Management Response

The NAPA billing system does not have the capability to show the vendor cost on the invoice. However, NAPA has created a monthly report that reflects the cost of the product sold and the delivered price of the product. The Fleet Services Division has adopted a new Internal Procedure that includes a monthly audit of this report and verification that the correct Profit rate was charged.

3. Gross Profit Rate.

Observation

In Exhibit B of the Agreement, the “Fee Schedule”, refers to the contractor being able to bill the County at a specified gross profit rate. The contract states both “NAPA Product Costs and Non-NAPA Product Costs shall be set by the Contractor to yield a gross profit of ten percent (10%).” However, in the first amendment, on September 25, 2017 “outside” purchases and services (Non-NAPA Product Costs) are to be charged a gross profit rate of 8% for purchases under \$25,000 and 6% for purchases over \$25,000.

The auditor identified a total of 484 paid invoices against Purchase Orders issued between Fiscal Year 2018 and 2020. Of those paid invoices, a statistical sample of 214 paid invoices were selected for review. Each invoice batches multiple invoices into a single invoice that is applied to a Purchase Order.

Upon review of the 214 sampled invoices and supporting documentation, it was determined that 13 individual invoices (or 6.1%) exceeded the allowed gross profit rate. This resulted in an overpayment of \$1,584.

Recommendation

To ensure compliance with the contract, the County should review and verify the gross profit rate of each invoice prior to approving them for payment.

Management Response

The Fleet Services Division has adopted a new Internal Procedure that includes a monthly audit of the Profit rate amount, and verification of the “Gross Profit” calculation on “Outside” service invoices where supporting documents showing vendor cost are attached prior to submitting to the Clerk’s Office. NAPA has created a monthly report that reflects the cost of the product sold and the delivered price of the product.

4. Supporting Documentation.

Observation

Section 8.2.1 of the contract states “invoices shall contain a complete account of all activity for the month ending, including, but not limited to:

- a. part numbers
- b. quantity sold
- c. cost of parts sold to the County
- d. cost of delivery (shipping & handling) for County pre-approved special order requests on direct charge and/or non-stock items as specified in this Term Contract”

As a result of the testing methodology identified in *Opportunity for Improvement No. 4 – Gross Profit Rate*, it was determined that 10 individual invoices (or 4.7%) either:

- failed to provide any supporting documentation, or
- provided supporting documentation that:
 - did not match with the invoice,
 - was not complete,
 - was scanned in and left off the cost, or
 - did not provide any description as to what was being purchased other than part numbers.

Recommendation

In order to ensure compliance with the contract and to make the invoices clear for reviewers, the County should require that all invoices are supported with documentation that:

- is complete and matches the invoice,
- includes legible parts numbers, item descriptions, quantities sold, and costs, and
- includes a description of what was purchased.

Management Response

Fleet Services management will ensure the vendor follows the new contract Amendment Scope of Services – Section 8.0 Billing. The Fleet Services Division has adopted a new Internal Procedure that includes review and verification that all supporting documentation is attached and meets the recommended criteria.

5. Inappropriate Purchases.

Observation

In Exhibit A of the Agreement, Section 6.0 states that the “Contractor shall provide/coordinate technical (mechanical) training to County employees as deemed appropriate for use of new or current products. The cost, if any, for such training will be mutually agreed upon in writing by the county and the Contractor via an amendment to this Agreement”.

As a result of the testing methodology identified in *Opportunity for Improvement No. 4 – Gross Profit Rate*, it was determined that there were a total of four transactions, totaling \$37,478.11 that appeared to be inappropriate purchases against the contract. The four transactions were listed below:

- Two purchases were related to an agreement with Stryker (\$13,746.24),
- One purchase was related to an agreement for the Fuel Island (\$15,091.87), and
- One purchase was related to vendor training (\$8,640).

The auditor determined that the purchase related to the Fuel Island was erroneously paid against a Purchase Order associated with Contract No. 2017-055. The error was identified and a refund for the full amount was returned to the County.

Upon review of the two amendments, a mutually agreed upon price for training was not included in either amendment. Additionally, the other three purchases were for two different maintenance agreements, which appears they should not have been paid against this agreement.

Recommendation

To ensure compliance with the intent of the agreement, the Fleet Department should monitor purchases to ensure that they meet the contractual requirements in order to be purchased using the agreement. If future training is to be purchased through the agreement, ensure the cost is mutually agreed upon by both parties and that the agreement is amended to include the agreed upon cost of training.

Management Response

First, in reference to the Stryker maintenance agreement passed thru NAPA, Fleet Services management acknowledges that this was purchased through NAPA. In the future, we will look to other procurement methods that may be more appropriate for these or similar services.

Second, regarding the Mansfield document noted on the backup documentation that was provided to Fleet Services, Fleet identified an error where NAPA had mistakenly paid the invoice. After identifying this error, the County received a full refund. This invoice was purchased under Mansfield PO 183793.

Third, Fleet Services management acknowledges an oversight in not obtaining an Amendment for the cost of the mentioned vendor training, Fleet Services will comply with the NAPA Agreement regarding any training in the future.

In addition, as a part of the new Internal Procedure, the Fleet Manager will be directly monitoring purchases that are made utilizing this agreement.

6. Review Process for NAPA Invoices.

Observation

NAPA creates weekly invoice packets, separates the purchases by each of the three locations, and then sends an excel spreadsheet to the Fleet Department. The spreadsheet includes the invoice number, date, amount, and corresponding purchase order. The Fleet Administrative Specialist will then update the spreadsheet with the week ending date and break down each individual purchase into different “Line” items that reflect the different costs that are allowable under the contract (i.e. – parts, labor, and service costs). NAPA then provides the Fleet Department with a coversheet for the weekly invoice packet which includes information such as:

- Purchase Order No.
- Contract No.
- Account No.
- Invoice No.
- Statement Date
- Detailed Line Item Amounts
- Total Invoice Amount

The auditor determined that the Fleet Department has written procedures in place for processing NAPA invoices. The procedures requires a Fleet Manager to review each weekly invoice packet. However, when the auditor met with the Fleet Administrative Specialist and the Manager II, they stated that after the Administrative Specialist receives the coversheet and weekly invoice packet, the Administrative Specialist reviews it and submits it to the Finance Department without manager review as required in their procedures.

Recommendation

To help ensure the County is reviewing and monitoring NAPA purchases, the Fleet Department should include a statement, preparer’s signature, and reviewer’s signature on the Coversheet. Per the department procedure, the Fleet Manager should be reviewing and approving all invoices. Additionally, the procedure should also require that the manager is to sign each invoice to document the approval process.

Management Response

Fleet Services will include a coversheet on all weekly packages including the preparer's signature and the Management Reviewer's signature. In addition, the Fleet Services Division has adopted a new Internal Procedure that includes a monthly audit of the Profit rate charged and verifies the "Gross Profit" on "outside" service invoices where supporting documents showing vendor cost are attached prior to submitting to the Clerk's Office. This monthly audit will also include a coversheet with the Auditor's and Manager's signatures.



AUDIT OF COOPERATIVE PURCHASE REQUEST FOR NATIONAL JOINT POWERS ALLIANCE

July 2021

Karen E. Rushing
Clerk of the Circuit Court and County Comptroller
Office of the Inspector General
Sarasota County, Florida



CONTENTS

Executive Summary	2
Background and Objectives	3
Opportunities for Improvement and Management Responses	5

AUDIT SERVICES

David Beirau, CFE, CIG, CIGA, CIGI, CGI

Director of Internal Audit and Inspector General

Auditor

William Bousman, CFE, CIGA, CIGI, CGI

Senior Internal Auditor/Investigator

Please address inquiries regarding this report to David Beirau, by e-mail at dbeirau@sarasotaclerkandcomptroller.com or by telephone at (941) 861-5280. This and other reports prepared by the Office of the Inspector General are available at <http://www.sarasotaclerk.com/inspector-general/inspector-general-audit-reports>.



EXECUTIVE SUMMARY

The Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of Cooperative Purchase Request for National Joint Powers Alliance (NJPA). The audit was conducted at the request of County Administration. The purpose of the audit was to evaluate the effectiveness of processes used by the County to monitor for compliance with the terms of the contract.

The audit detected non-compliance with the following contractual stipulations related to:

- Thresholds limits for purchases,
- Inappropriate purchases, and
- Supporting documentation.

Lack of mandated threshold limits for individual purchases under a Cooperative Purchase Agreement after the Agreement is approved by the BCC could result in wasteful spending. Additionally, a lack of thorough monitoring could result in purchases that do not match the pricelist, do not meet the intent of the agreement, or lack required documentation, which could result in higher costs to the County.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Cooperative Purchase Request for NJPA. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to determine compliance with the terms of the contract.

Background

Sarasota County entered into a cooperative (piggyback) purchasing agreement with National Joint Powers Alliance (NJPA), through their contract with the State of Florida, to purchase vehicles, cars, vans, SUV's, and light trucks with related equipment, accessories, and services. A piggyback contract is the procurement of goods and services from vendors who have been selected by other government entities or agencies, by purchasing consortiums, or another Florida local government as a result of a competitive selection process which is substantially equivalent to that used by Sarasota County.

The cooperative purchasing agreement went into effect on February 15, 2017 and expires on January 17, 2021. The agreement was approved by the Procurement Official and the Board of County Commissioners (BCC) authorized a cumulative amount not-to-exceed \$4,000,000 per fiscal year.

The agreement utilizes a Percent off MSRP pricing model which allows for discounts of up to 25.86% off of MSRP. NJPA provides an annual price list which outlines the MSRP and the discounted price for numerous models across 15 manufacturers. The price list also provides pricing for after market options that can be added to the vehicles.

Objectives, Scope and Methodology

The objectives of this audit was to determine that policies and procedures are in place and documentation is available to support the effective and efficient administration of the Agreement. The scope of the audit included the time period October 1, 2017 through April 9, 2020.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Obtained and reviewed:
 - the Cooperative Purchase Agreement for NJPA,
 - the Procurement Manual,
 - relevant Standard Operating Procedures, and
 - purchase orders and relevant invoices.
- Performed inquiries of responsible personnel.
- Selected a statistical random sample of 103 invoices and reviewed supporting documentation for each sampled invoice.
- Evaluated documentation for compliance with provisions of the Agreement.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Ensuring effective organization performance management and accountability,
- (Standard 2120.A1) Effectiveness and efficiency of operations and programs, and
- (Standard 2130.A1) Effectiveness of controls, particularly compliance with laws, regulations, and contracts. As well as, compliance with policies and procedures and the reliability and integrity of financial and operational information.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were three *Opportunities for Improvement* identified as a result of the audit:

1. **Threshold Limits for Purchases**
2. **Inappropriate Purchases**
3. **Supporting Documentation**

1. Threshold Limits for Purchases.

Observation

Chapter 8 of the Procurement Manual outlines the different procurement methods that can be used when the County needs to procure a product or service. One of the primary ways to determine which procurement method should be used is by setting dollar threshold limits and defining what is required at each threshold.

Resolution No. 2016-055 outlines the delegated spending authority for each threshold. Those thresholds are listed below:

- The Procurement Official can authorize purchases up to \$50,000,
- The County Administrator can authorize purchases up to \$100,000, and
- The BCC authorizes purchases of \$100,000 or more.

Chapter 8.5 states that the Procurement Official has the authority to join with other units of government for cooperative agreements. After the approval is obtained, then the agreement must be approved based on the delegated spending authority levels.

The auditor determined that after the cooperative agreement is approved by the BCC (for cooperative agreements of \$100,000 or more), all individual purchases made against the agreement no longer have to obtain approvals based on the delegated spending authority levels.

Recommendation

To ensure controls are in place to monitor cooperative agreement expenditures, the County should modify the language within the Procurement Manual and related SOP's. Purchases made under a cooperative agreement should be required to obtain approval based on identified dollar threshold limits. Additionally, all purchases of \$50,000 or more should be reviewed by the Procurement Official to ensure the purchase is an allowable purchase under the agreement.

Management Response

The Fleet Services Division has followed the Procurement Manual as it applies to this contract regarding threshold limitations by following the One Solution approval process.

However, the Fleet Services Division has adopted an Internal Procedure that the Fleet Operations Manager, Fleet Manager, and Fleet Fiscal Coordinator will review all purchases regardless of the expenditure pertaining to this contract.

2. Inappropriate Purchases.

Observation

Section 3.16 states that the scope of the NJPA Cooperative Agreement is to supply “Vehicles, cars, vans, SUVs, and light trucks with related equipment, accessories, and services”. Section 3.17.2.1 states that primary focus is to provide vehicles, cars, vans, SUVs, and light trucks and that related equipment, accessories, and services are only meant to be included as incidental purchases.

However, Section 5.25 and 5.26 states that Sourced Goods or Open Market Items are products that can be purchased under contract that are not currently available under the NJPA contract. These items can be requested for purchase as long as they are within the related scope of the contract. Section 5.27 states that these items can be sourced to the extent that the items are identified as “Sourced Products/Equipment” or “Open Market Items” on any quote issued.

The auditor obtained a population of 141 invoices that were paid against PO’s issued between October 1, 2017 and April 9, 2020. Of those invoices, a statistical sample of 103 were selected and supporting documentation was obtained and reviewed.

During review it was noted that there were five purchases made against four PO’s that did not accompany a purchase for a vehicle, car, van, SUV, or light truck. *Each purchase lacked supporting documentation indicating they were purchases for “Sourced Products/Equipment or “Open Market Items” as required by Section 5.27 of the agreement. The purchases were for a large stand alone directional drill, a pull behind air compressor, and three trailers.*

Recommendation

To ensure compliance with the intent of the cooperative agreement, the County should monitor purchases to ensure the purchases align with the contract. When additional related equipment and accessories are purchased, they should be included with the accompanying purchase and must be procured through the required contract sourcing process.

Management Response

Section 5 Pricing, Subsection H, Sourced Good or Open Market Item, of the Sourcewell contract addresses the ability for NJPA member to buy items under the contract that are not included in the vendor's line-item price list or catalog. As stated in Section 5.25, this method of procurement serves "to provide a more complete contract solution to meet our members' needs." The Fleet Services Division maintains that trailers and trailered equipment are used as an extension of the vehicles to provide more flexibility for the tow vehicle for greater efficiency and economies. Fleet Services will ensure that supporting documentation for such items indicate that the purchases were "Sourced Products/Equipment" or "Open Market Items" and will also ensure that all other contracted cooperatives (such as the Florida Sheriff's Association) are reviewed to determine if similar products such as trailers and trailered equipment are available under those contracts.

3. Supporting Documentation.

Observation

The Purchase Requisition process, which is outlined in Standard Operating Procedure (SOP) #34 – *Purchase Requisition Process*, requires that the requesting department provide all necessary supporting documentation to the procurement analyst for review. The SOP states that “quotes and other required backup documentation must be imported into BCC OnBase” and that Purchase Requisition (PR) “line items and/or unit prices must match proposal, quote or contract fee schedule.”

The auditor obtained a population of 141 invoices that were paid against PO’s issued between October 1, 2017 and April 9, 2020. Of those invoices, a statistical sample of 103 were selected and supporting documentation was obtained and reviewed.

During review it was noted that:

- 94 quotes listed in OnBase included 388 line items that:
 - Couldn’t be found in the pricelist (301),
 - Appeared to be overcharged (24), or
 - Appeared to be undercharged (63), and
- three invoices did not include supporting quotes for all or part of the PO.

Recommendation

To ensure compliance with SOP #34 – *Purchase Requisition Process*, the requesting departments must provide all supporting documentation for the purchase and all line items in the Purchase Requisition must match the contract price list.

Management Response

Section 5 Pricing, Subsection H, Sourced Good or Open Market Item, of the Sourcewell contract addresses the ability for NJPA member to buy items under the contract that are not included in the vendor's line-item price list or catalog. As stated in Section 5.25, this method of procurement serves "to provide a more complete contract solution to meet our members' needs." The Fleet Services Division maintains that "Sarasota Berg plug," "4-corner strobes," upfitting equipment and any other item that is attached to a vehicle that requires meeting Sarasota County specific requirements can be purchased utilizing this agreement to make sure County-wide Departments receive a turn-key product. However, any upfitting equipment or item purchased under this agreement that is not outlined in the pricelist will have supporting documentation by the vendor indicating the source and price.

It is now a requirement of Procurement that when a purchase order is requested based on an approved cooperative purchase (aka piggyback) that a crosswalk between the fee schedule and the quote is provided to reflect line by line pricing matches, ensuring the quote matches the discounted prices offered by the cooperative.

