

Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Review

Internal Audit conducted this investigation based on notification from Accounts Payable and Fire & EMS Resource Management about a billing discrepancy with a vendor that dated back several years.

Our objectives were to:

- Evaluate concerns regarding vendor overpayments discovered by Resource Management.
- Identify improvements to avoid vendor overpayments going forward.
- Report results to County Administrator and other management.

What We Recommend

- Examine invoice approval procedures across the department to ensure receipt of goods and services is consistently documented.
- Maintain rental tank inventory and document rental charge verification prior to payment.
- Comply with purchasing policy for future oxygen services procurement.
- Review total payments to vendors periodically against purchasing authority thresholds to verify compliance with County Purchasing competitive procurement requirements.
- Establish a consistent process to ensure all expected monthly invoices for routine services are received and processed in a timely manner.
- Seek reimbursement from vendor for erroneous charges.



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Fire Resource Management Vendor Special Project



What We Found

Background

Chesterfield Fire & EMS Resource Management (Resource Management) supplies fire stations with medical grade oxygen tanks used on Ambulances. Resource Management rents several dozen oxygen tanks and orders refills from a vendor, Praxair. Praxair separately bills Resource Management for tank rentals and refills each month. Deliveries are made as needed to drop off full and retrieve empty tanks at Resource Management's warehouse.

Resource Management discovered vendor invoices included rental charges for oxygen tanks they did not have. Resource Management reviewed the current accounting system records dating back to FY09 for the vendor. Resource Management calculated that \$65,515 in questionable rental charges were paid to the vendor from July 2008 to October 2016.

Summary of Findings

Resource Management verifies delivery tickets against invoices for refill orders, but did not have a verification process for tank rental charges. After noting unexpected rental charges and no refill activity for certain tanks during 2016, Resource Management communicated the suspected error to the vendor. Resource Management inventoried all rented tanks with the vendor. The inventory confirmed that the vendor invoices included additional tank types not used by Resource Management. The vendor corrected future charges starting November 2016.

Resource Management's summary of \$65,515 in disputed oxygen tank rental charges was accurate and complete.

Payments made to vendor had approved supporting invoices, with a process to match supporting tank refill delivery tickets to vendor invoices. However, Resource Management did not regularly inventory rental tanks and rental charges were paid without documentation that tanks existed.

Resource Management has been regularly spending between \$15,000 to \$20,000 on oxygen tanks annually with vendor since 2009. However, most invoices were processed by Resource Management through a standard under \$5,000 Purchase Order without involving the Purchasing Department. Resource Management has not followed procurement requirements for goods and services exceeding \$5,000.

Action(s) Taken

Fire Resource Management has taken an inventory of rental tanks in September 2016 for reconciliation to vendor invoices.

Management concurred with 6 of 6 recommendations implemented through 7/01/2018.

We appreciate the cooperation received from Fire & EMS and the Resource Management staff throughout this special project.