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CHESTERFIELD COUNTY
Internal Audit

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Emergency Procurement Requests

February 8, 2022

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Emergency Procurement Requests

Highlights

Emergency Procurement Compliance

Emergency procurements are purchases over \$10,000 dollars made with limited or no competition when goods and services are needed for immediate use. We reviewed a sample of 40 emergency procurements from January 1, 2020 to June 30, 2021 totaling \$2,748,225 for compliance with the Code of Virginia §2.2-4303(F) and Procurement Policy 12-14 and noted the following:

- Procurement director approved all emergency procurements.
- 2 of 40 procurements exceeding the small purchase limit did not include a public notice of emergency award.
- 14 of 40 procurements had emergency declaration as justification to support the procurement however did not include a public notice of emergency award.

Recommendation: Procurement provide public notice for missing emergency contract awards.

Emergency Purchases Using P-Cards

Procurement policy 12-0; Procurement Manual does not provide guidance on purchasing cards (PCards) use for high dollar emergency purchases. To determine if departments used PCards to avoid emergency procurement requirements, we reviewed detailed transactions by department to determine if PCard purchases for emergencies exceeded \$10,000 by vendor. We noted 32 transactions totaling \$86,772 that were made due to emergency and exceeded the \$10,000 limit however, Procurement was notified and approved these transactions.

We analyzed all active PCards for compliance with the \$5,000 transaction limit established by Accounting policy. We noted seven PCards had purchasing limits over \$5,000 with approval limits ranging from \$7,000 - \$25,000.

Recommendation(s): Procurement revise Policy 12-14: Emergency Purchases to include guidance for emergency purchases made with purchasing cards. Accounting review Policy 1-15 to determine if \$5,000 transaction limits is still applicable and determine how transaction limits exception should be monitored.

Management concurred with 3 of 3 recommendations detailed in the report to be implemented from 4/1/2022 to 7/1/2022. Internal Audit performs annual follow-up with management to confirm implementation status.

INTRODUCTION

BACKGROUND

The Emergency Procurement Requests audit was a regularly scheduled audit on the FY22 audit plan approved by the Audit and Finance Committees.

The Chesterfield County Procurement Department provides purchasing services for Chesterfield County, Chesterfield County Public Schools (CCPS), except food services, and Constitutional Officers. The department consists of 20 full time and one part time position. The department follows federal, state, and county laws and regulations by using competitive practices in a fair purchasing environment to give all qualified businesses an opportunity to offer their products and services.

Procurement Policy 12-0: Procurement Manual, Mission and Definitions defines emergency procurements as purchases over \$10,000 dollars made with limited or no competition when goods and services are needed for immediate use because there is an imminent threat to life, health, property, or significant disruption to one or more County or CCPS services and operations. The graph below illustrates emergency procurements over the last four fiscal years:

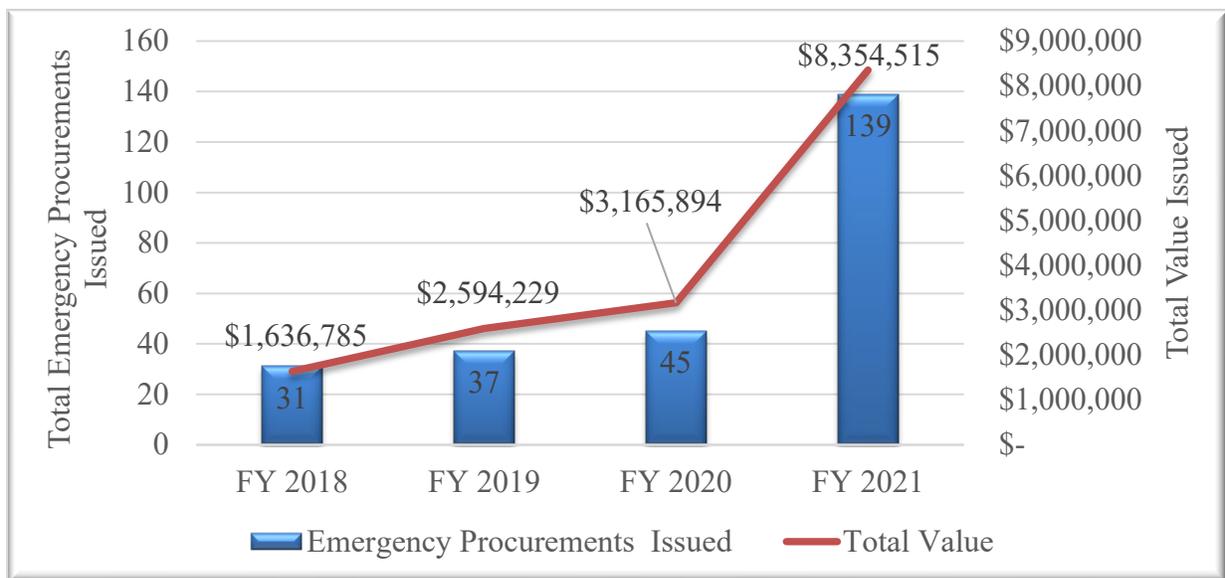


Chart 1: Emergency Procurements and Dollars Spent

As shown in **Chart 1** above, the number of emergencies procurements increased by 209% from FY20 to FY21. The increase resulted from COVID-19 related purchases and the August 2020 flooding of Chesterfield County’s Addison-Evans and Proctor Creek water treatment plants.

Table 1 below details emergency procurement issuing departments over the last two fiscal years.

| Department | Emergency Procurements | FY20 | Emergency Procurements | FY21 |
|---------------------------------|------------------------|---------------------|------------------------|---------------------|
| Utilities | 13 | \$ 299,265 | 34 | \$ 3,878,270 |
| CCPS Operations and Maintenance | 14 | 1,390,010 | 40 | 2,630,994 |
| Sheriff | 4 | 634,927 | 5 | 162,009 |
| CCPS Technology | 4 | 367,820 | 8 | 268,627 |
| CCPS Special Education | 1 | 66,000 | 2 | 287,251 |
| Fire | 1 | 17,750 | 7 | 200,384 |
| Environmental Engineering | 1 | 22,400 | 7 | 177,810 |
| Parks and Recreation | 1 | 104,574 | 2 | 59,475 |
| Police | - | - | 10 | 144,392 |
| Human Resources | - | - | 2 | 82,371 |
| General Services | 5 | 213,192 | 14 | 314,492 |
| Information Systems Technology | 1 | 49,956 | - | - |
| CCPS Food Services | - | - | 3 | 39,784 |
| Mental Health | - | - | 1 | 34,842 |
| CCPS Finance | - | - | 2 | 34,124 |
| Circuit Court Clerk | - | - | 1 | 20,000 |
| CCPS Pupil Transportation | - | - | 1 | 19,690 |
| Total | 45 | \$ 3,165,894 | 139 | \$ 8,354,515 |

Table 1: Emergency Procurements by Department

Purchasing Cards (PCards)

Approximately 400 County and School employees responsible for purchasing can use a PCard, a credit card used to buy goods and services. From January 1, 2020 thru June 30, 2021 departments purchased goods and services using PCards totaling approximately \$3.9 million dollars as shown in the following table:

| Department | PCard Purchases |
|---------------------------------|---------------------|
| General Services | \$ 805,279 |
| Mental Health | 735,962 |
| Sheriff | 247,686 |
| Fire | 238,665 |
| Parks and Recreation | 186,468 |
| CCPS Operations and Maintenance | 174,508 |
| Utilities | 142,842 |
| CCPS Food Services | 134,116 |
| Library | 131,423 |
| Juvenile Detention | 97,470 |
| Police | 80,321 |
| Social Services | 72,098 |
| Human Resource Management | 59,489 |
| CCPS Technology | 54,848 |
| CCPS Community Relations | 51,943 |
| CCPS Classroom Instruction | 51,845 |
| Information Systems Technology | 48,392 |
| Accounting | 44,335 |
| Procurement | 37,578 |
| Community Enhancement | 36,555 |
| Other County/School Departments | 509,592 |
| Total | \$ 3,941,415 |

Table 2: Top 20 PCard Purchasers by Department

OBJECTIVES

Objectives of the audit were to:

- Determine if emergency procurements comply with policies and procedures.
- Evaluate the emergency procurement process for efficiency and effectiveness.
- Determine if PCard's are used to circumvent the emergency procurement process.

SCOPE

Our audit work covered January 1, 2020 – June 30, 2021 and the current operating environment. We considered the following code, policies, and procedures during our audit:

| | |
|---|--|
| <i>Procurement Policy 12-0: Procurement Manual, Mission and Definitions</i> | <i>Procurement Policy 12-14: Emergency Procurements</i> |
| <i>Accounting Policy 1-15: Purchasing Card Policy and Procedures</i> | <i>Code of Virginia §2.2-4303(F): Methods of Procurement</i> |

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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. Terry Parker, Senior Auditor, and Aline Bright, Staff Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included employee inquiry, on-site observations, data analysis, and review of documentation.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- efficiency and effectiveness of operations;
- accurate financial reporting; and
- compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place, and there were minimal findings to question their ability to assist management in meeting its mission, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank the Procurement department for their cooperation and assistance during the audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Emergency Procurement Compliance

(Point Sheet 1)

CRITERIA:

Code of Virginia §2.2-4303(F) Methods of Procurement: When emergencies occur, a contract may be awarded without competitive bidding or negotiation as long as the following criteria are met:

- Documentation outlining the basis for the emergency and the vendor selected are kept on file.
- Procurement completes a written notice awarding the contract on an emergency basis, identifying the contractor selected, and the date on which the contract was or will be awarded.
- The emergency procurement is posted on an approved form of media on the day the procurement is awarded or is announced, whichever occurs first.

Procurement Policy 12-14: Emergency Purchase describes procedures ensuring departments take appropriate action during an emergency to make necessary purchases timely. Department directors and their designees are responsible for the proper utilization of emergency purchase policy and procedures for all emergencies. This responsibility includes, but is not limited to, proper documentation of emergency situations and providing accurate and sufficient information in compliance with provisions of these procedures. Documentation includes:

- Supporting emergency justification documentation requesting the purchase.
- Public Notice of Emergency Award approved by the Procurement Director or designee.
- For emergency purchases exceeding the small purchase limit, the Procurement Department is required to publicly post a notice of the emergency purchase as required by law. The Procurement Department posts these awards on its Procurement Information Gateway (PInG).

CONDITION(S):

We reviewed a sample of 40 emergency procurements from January 1, 2020 to June 30, 2021 totaling \$2,748,225 for compliance with the Code of Virginia §2.2-4303(F) and Procurement Policy 12-14. Based on testing we noted:

- Procurement director approved all emergency procurements.
- 2 of 40 procurements exceeding the small purchase limit did not include a public notice of emergency award.
- 14 of 40 procurements had emergency declaration as justification to support the procurement however did not include a public notice of emergency award.

CAUSE(S):

- Due to declaration of emergency, former Procurement management did not public post all emergency procurement contracts awarded.

EFFECT(S):

- Certain emergency procurements did not fulfill Code of Virginia §2.2-4303(F) requirements for emergency contract awards.

FINDINGS, RECOMMENDATIONS, RESPONSES
Emergency Procurement Compliance
(Point Sheet 1)

RECOMMENDATION:

We recommend the Procurement Department:

1. Provide public notice for missing emergency contract awards.

MANAGEMENT'S RESPONSE:

1. *Concur, Stephanie Brown, Procurement Director, is responsible for implementing 4/07/2022. Procurement will ensure all emergency purchase awards are publicly posted. All pandemic related emergency purchases that were not previously posted under prior leadership will be publicly posted.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Emergency Purchases Using P-Cards

(Point Sheet 2)

CRITERIA:

Accounting Policy 1-15: Purchasing Card Policy and Procedures states departments are responsible for determining card holder transaction limits up to the \$5,000 maximum dollar threshold allowed. Changes to existing transaction limits are submitted to Accounting with department director approval.

Procurement Policy 12-0: Procurement Manual, Mission and Definitions delegates purchasing authority by the Procurement Director for using departments to make purchases up to \$10,000 unless otherwise restricted.

CONDITION(S):

Procurement policy 12-0; Procurement Manual does not provide guidance on PCard use for high dollar emergency purchases. To determine if departments use PCards to avoid emergency procurement requirements, we requested a list of all PCard transactions from January 1, 2020 thru June 30, 2021. We filtered for vendors with total transactions greater than \$10,000. From the 68 remaining vendors, we reviewed detailed transactions by department to determine if PCard purchases to the same vendor exceeded \$10,000. From the resulting 26 vendors, we scanned 1,346 transactions totaling \$496,759 by department to evaluate if large purchases were emergencies and should follow emergency procurement requirements. From that analysis, we noted 32 transactions totaling \$86,772 were made due to an emergency and exceeded the \$10,000 limit. Procurement was notified and approved these transactions by department as follows:

- Sheriff's Department: 31 transactions totaling \$73,872 to three separate vendors related to an emergency event were purchased using the PCard.
- Procurement Department: One transaction totaling \$12,900 to one vendor related to an emergency event were purchased using the PCard.

FINDINGS, RECOMMENDATIONS, RESPONSES

Emergency Purchases Using P-Cards

(Point Sheet 2)

We analyzed all active PCards to determine if they were following the Accounting policy \$5,000 transaction limit. Accounting can change PCard limits with department requests that include director approval. We noted seven PCards had purchasing limits over \$5,000 with approval limits ranging from \$7,000 - \$25,000. The following table outlines departments with purchasing limits over \$5,000:

| Department Name | PCard Single Transaction Limit | Reason for Increase |
|---------------------------------|--------------------------------|--|
| General Services | \$8,000 | Requested increase due to pandemic issues. |
| Mental Health | \$10,000 | Requested increase due to pandemic issues. Noted card remained active after employee retirement. |
| Purchasing | \$25,000 | Requested increase due to pandemic issues. |
| Sheriff | \$7,000 | Requested increase due to pandemic issues. |
| Sheriff | \$7,000 | Requested increase due to pandemic issues. |
| Utilities - Proctor Creek Plant | \$9,800 | Requested increase due in case of emergency purchases needed after flooding occurred at the water treatment plant. |
| Utilities - Addison Evans Plant | \$9,800 | Requested increase in case of emergency purchases needed after flooding occurred at the water treatment plant. |

Table 3: Purchasing Limits Over Policy

After audit testing, Accounting decreased 4 of 7 cardholder limits back to the \$5,000 limit and deactivated a PCard in the name of a retired employee. Utilities requested to maintain PCard limits over \$5,000 in case of future emergency purchases.

CAUSE(S):

- Procurement does not have a process in place for addressing emergency purchases for department PCards.
- Accounting does not monitor increased PCard limits after emergency requests from departments.

EFFECT(S):

- Departments placed emergency purchases over \$10,000 on PCards.
- Departments have PCard limits over amount defined in Accounting policy.

FINDINGS, RECOMMENDATIONS, RESPONSES
Emergency Purchases Using P-Cards
(Point Sheet 2)

RECOMMENDATION(S):

We recommend:

2. Procurement revise Policy 12-14: Emergency Purchases to include guidance for emergency purchases made with PCards.
3. Accounting review Policy 1-15 to determine if \$5,000 transaction limits is still applicable and determine how transaction limits exception should be monitored.

MANAGEMENT'S RESPONSE:

2. *Concur, Stephanie Brown, Procurement Director, is responsible for implementing 7/01/2022. Procurement of goods/services exceeding delegated authority via P-Card will be coordinated by Procurement. Policy will be updated to provide this direction.*
3. *Concur, Kevin Payne, Financial Operations Manager, is responsible for implementing 4/01/2022. Accounting will review Policy 1-15 to determine if changes are necessary.*