

Audit Highlights



Highlights of Legislative Auditor report on the Department of Administration, Purchasing Division issued on April 13, 2010. Report # LA10-13.

Background

The Purchasing Division is responsible for all functions related to purchasing, renting, or leasing supplies, materials, and equipment needed by state agencies. Purchasing either performs these functions directly or delegates them to using agencies. The Division's purpose is to obtain supplies, equipment and services in a timely manner, to secure the best value, and give vendors an equal opportunity to do business with the State.

The Division's main operating budget had expenditures of about \$3.1 million in fiscal year 2009. These expenditures were funded by an assessment on state agencies. The Division has 40 positions with offices located in Carson City, Reno, and Las Vegas.

The State began a pilot Procurement Card (P-Card) program in 1998. Currently, the P-Card is a VISA card issued by U.S. Bank, similar to a personal credit card, but the State pays the bill. Cardholders agree to use the card for qualifying purchases only and maintain receipts for each transaction. As of January 2010, 316 state employees had P-Cards.

Agencies are required to develop P-Card policies and procedures that must be approved by the Division of Internal Audits' Financial Management Section. The Purchasing Division then approves agencies to participate in the program and facilitates setting up agencies with the bank. After Purchasing's approval, agencies are responsible for establishing cardholders with the bank, setting up credit and single transaction limits, and monitoring activity on the card.

Purpose of Audit

The purpose of this audit was determine if (1) adequate controls are in place to administer and monitor the State's Procurement Card program, and (2) performance measure results are reliable. Our audit focused on controls currently in place over the Procurement Card program and performance measure results for fiscal years 2007 – 2009.

Audit Recommendations

This report contains six recommendations to improve procurement card oversight and the reliability of performance measure results. Three recommendations address improving procurement card policies and procedures, and the monitoring of card activity. In addition, three recommendations address improving the accuracy and reliability of performance measure results.

The Division accepted the six audit recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on July 8, 2010. In addition, the six-month report on the status of audit recommendations is due on January 10, 2011.

Purchasing Division

Department of Administration

Results in Brief

The Purchasing Division can improve its oversight of the State's Procurement Card (P-Card) program. The Division needs to improve its oversight of procurement card activity to help ensure the program operates effectively and payments are timely. This will help maximize cash rebates available through the program and avoid late payment fees. Oversight can be improved by developing internal controls to guide Purchasing staff and enhancing statewide policies and procedures to assist participating agencies.

The Division can improve the reliability of its performance measures reported in the Executive Budget and internally to management. Specifically, flawed methodologies were used to determine reported results for some measures, which resulted in the Division overstating savings it achieved for state agencies. In addition, math errors occurred when calculating some measures and supporting documentation was not always retained. Finally, current policies and procedures are out-of-date and do not provide staff with adequate guidance to help ensure reported results are reliable and accurate.

Principal Findings

The Division has not developed internal policies and procedures for the State's Procurement Card (P-Card) program. As a result, Purchasing staff have not received adequate guidance to manage the P-Card program. Additionally, since several staff are involved in various aspects of the program, duties and responsibilities for program activities should be clearly defined to ensure the program receives adequate oversight and monitoring.

The Division has not established an effective process to monitor the State's procurement card activity. A system of monitoring P-Card activities, including specific duties and responsibilities for staff, have not been established in writing. Ongoing monitoring is needed to help ensure the State maximizes rebates, avoids late payment fees, and identifies improper activities.

The Division needs to revise statewide policies and procedures designed to assist agencies in managing their procurement card programs. Existing procedures do not adequately address key procedures such as the reporting and consequences of unauthorized use (personal use), prohibited items, merchant codes, disputed transactions, and timely payments. In addition, the Division's website contains two different versions of internal control procedures agencies are required to follow. Finally, Purchasing should consider combining policies, procedures, forms, and other information into a manual to assist prospective and current P-Card users.

The results for performance measures for fiscal years 2007, 2008, and 2009 were not always reliable. The Division used flawed methods to determine results for some measures. This includes two measures on the savings realized when agencies use the Division to acquire goods and services. In other cases, inaccurate information was reported because math errors were made when calculating results. In addition, documentation supporting results was not always retained. Therefore, decisions affecting Division programs could be made based on unreliable and inaccurate information.