

# **OKALOOSA COUNTY CLERK OF CIRCUIT COURT**



**DEPARTMENT OF INSPECTOR GENERAL**



## **REPORT ON THE AUDIT OF PURCHASING OPERATIONS POLICIES AND PROCEDURES.**

**REPORT NO. BCC 25-02**

**REPORT ISSUED JULY 29, 2025**

**ISSUED BY: RENEE FENNELL LARKEY, INSPECTOR GENERAL**

## Introduction

Based on the 2024 County-wide Risk Assessment, the Department of Inspector General 2025 Audit Plan included an examination of the Okaloosa County Purchasing Department (PD). Public awareness of the PD is elevated because of its work in procuring millions of dollars of goods and services for Okaloosa County.

## Objective

The objective of the audit is to assess the operational efficiency of the department's policies and procedures, determine if they are producing the desired results and to analyze consistency and compliance in the application of the County purchasing manual requirements.

## Scope and Methodology

The scope of the audit included all procurement activities undertaken in the PD during the timeframe 10-1-2023 through 3-31-2025. Our audit methodology included interviews with PD management and staff, review of the County purchasing manual, participation in a recent Purchasing Card (P-Card) training session, attendance of current regular and special committee meetings, examination of purchase orders, contracts, renewals and amendments, and an evaluation of the department's P-Card monitoring process. Definitions of terms used in this report are found in Appendix 1.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, waste, or abuse. This includes the design, implementation, and maintenance of internal controls relevant to the objectives. This review was conducted in compliance with Standards for Offices of Inspector General issued by the Association of Inspectors General and the International Professional Practice Framework issued by the Institute of Internal Auditors.

## Department Overview

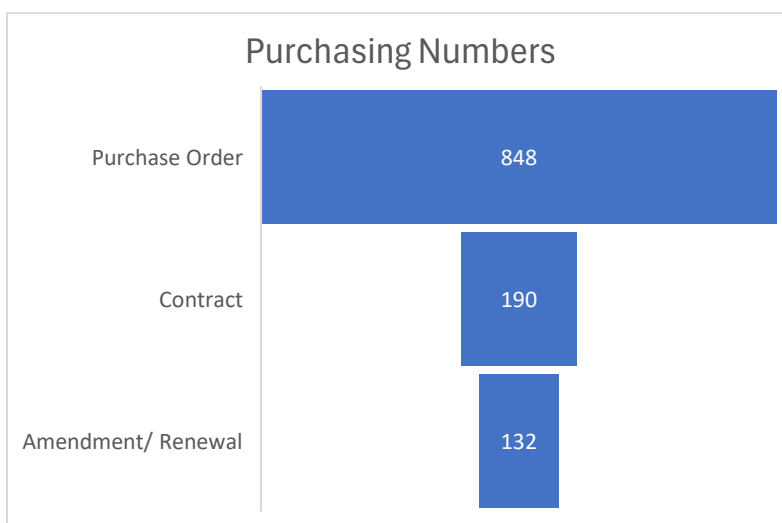
The PD was created in November 1976 to provide a centralized system for the process of sourcing, purchasing and acquiring goods and services for departments under the Board of County Commissioners (BCC). The process of purchasing in the County includes receipt of requisitions, obtaining quotes and processing purchase orders. The department handles multiple competitive procurement processes including request for proposals (RFP), invitation to bid (ITB), invitation to negotiate (ITN) and invitation to quote (ITQ) depending on the parameters and information known regarding the procurement. The department also handles cooperative procurements (piggybacking). PD prepares the agreements, amendments, and renewals that are derived from the procurement process. In addition to the department's procurement activities, they are responsible for training County staff involved in the procurement process and providing P-Card training to County staff. The department facilitates regular and special committee meetings to evaluate proposals/submissions or to help define the scope/requirements of a procurement process. The PD is also responsible for maintaining records and inventory of the County's tangible property.

## Staffing

The PD falls under the Office of Management and Budget (OMB) Director in the BCC Organizational Chart. Staff consist of a manager, purchasing assistant, purchasing services coordinator, grants coordinator, fixed asset coordinator and three contracts & lease coordinators. The PD staff are located in a BCC facility at 5489 Old Bethel Rd in Crestview, Florida. Audit staff interaction and interviews with PD management and staff found they were knowledgeable of the department's processes and very responsive to audit team inquiries.

## Testing

We conducted interviews with PD management to gain an understanding of the work processes utilized in the department and obtain an overview of the department operations. These interviews provided an opportunity to discuss management's risk strategies and any controls in place to minimize risk. We were provided with access to the department's procurement platform "Vendor Registry", to obtain information about the bid and proposal process for new solicitations entered by the department. We examined the PD webpage to obtain what information is provided to Vendors about the PD purchasing process. We reviewed the County purchasing manual which contains the department's policies and procedures to become familiar with the guidance currently in use. We participated in a P-Card training session to attain what guidance is given to new P-Card users by the PD staff. The department's P-Card review was evaluated to see what processes were used to identify circumvention of the P-Card rules. The audit team attended regular and special review committee meetings to understand their purpose, see what transpired in the meetings, and compare the process between the two types of meetings. We obtained a list of all purchase orders, contracts, amendments and renewals processed by the department between 10-1-2023 and 3-31-2025 as shown in the following chart:



A sample of these items was made by the audit team and is reflected in the table shown below:

Type	* Sample
Purchase Order	62
Contract	54
Amendment/ Renewal	45

\*The statistically selected sample provides a 90% confidence level that the results will fall within + or – 10% of the true value of the entire population.

For purchase orders we evaluated the following work processes:

- Was a requisition submitted.
- Department approval of the purchase request.
- Signature workflow (appropriate signature for the dollar value of the purchase).
- Quote(s) obtained and substantiated.
- Single or sole source justification.
- Purchase order completed and approved.

For contracts we evaluated the following work processes:

- Signature workflow (appropriate signature for the dollar value of the purchase).
- Properly completed agreement.
- BCC Agenda request (as applicable).
- Single or Sole source justification.
- Control Form.
- Coordination sheet with appropriate approvals.

For Amendments and renewals, we evaluated the following work processes:

- BCC department approval
- Signature workflow (appropriate signature for the dollar value of the purchase).
- Properly completed amendment or renewal.

Contracts, amendments and renewals were not reviewed for legal sufficiency as templates are provided by and approved by Board of County Commissioner's (BCC) legal staff. Relevant sections of these documents completed by PD were reviewed.

We accessed the document management and storage system (OnBase) to obtain the documents associated with the samples for review that were uploaded by the department. PD provided copies of documents that were not found in OnBase as part of the review process.

## Conclusion

The mission of the PD is to be responsible for administering all purchasing policies and procedures in obtaining materials and services of the right quality, in the right quantity, at the right price, from the right source, and at the right time for the needs of all departments under the BCC. Our audit found the PD is meeting its stated mission overall. Our testing did identify a limited number of instances where a lack of consistency and compliance with the purchasing manual reflected functional and internal control risks.

Of the 62 purchase orders reviewed, three (3) did not comply with the purchasing manual guidelines.

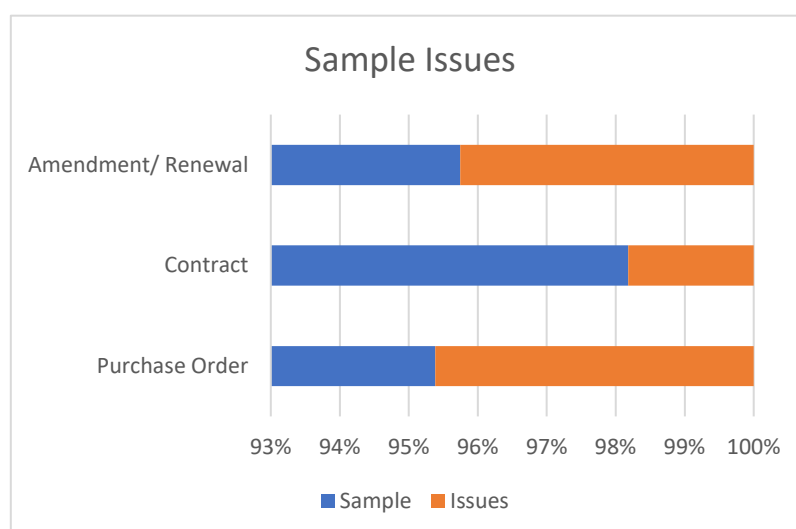
- Quotes over a year old were used. Although the requesting department provided the older quotes, they had requested PD reach out for new quotes.
- Verbal quotes obtained on a purchase exceeding \$4500.00
- Purchase amount exceeded signature authority.

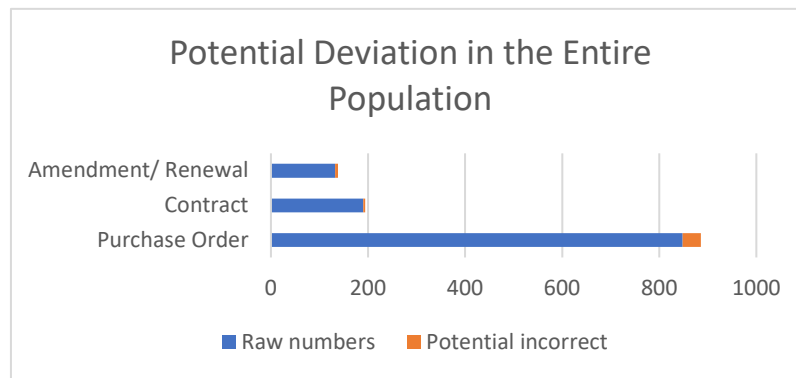
Of the 54 contracts reviewed, one (1) did not comply with the purchasing guidelines.

- Agreement was signed and dated by the Vendor prior to Coordination approvals.

Of the 45 amendments and renewals reviewed, two (2) reflected internal control risk.

- Approval emails and the amendment found in OnBase had the amendment number manually changed after the fact. \* This did not negatively impact the amendment but makes verification of the process ambiguous.
- Amendment to an agreement had to be completed to correct an error made in the original agreement. \* Although the amendment was correct, the need to correct the original agreement reflected control risk as the original agreement had incorrect terms used and was processed and in place when the error was discovered.





**Recommendations:** Audit recommendations are provided to mitigate process risks and improve programs and operations.

#### Recommendation 1:

The PD should adhere to the guidelines established in the purchasing manual. This will help secure compliance with all pertinent laws, regulations and procedures regarding the procurement of goods and services in the County.

#### Recommendation 2:

The PD should review the documents on its webpage “How to do Business with Okaloosa County” and “Orientation to the New Purchasing Policy” and update the table and appropriate pages of the documents to reflect current dollar thresholds as shown in the 2024 version of the purchasing manual. This will ensure those reviewing the document will be provided with accurate updated information that complies with the most recent version of the purchasing manual. This should be completed by the Purchasing Manager prior to the next BCC employee training session.

#### Recommendation 3:

The P-Card training packet provided to attendees should contain printouts of the most recent version of the purchasing manual. The training packet provided during the P-Card training on April 21, 2025, had a 2022 version of the purchasing manual and did not contain the following information that was provided in the in-person training.

- Departments with work orders are required to enter the work order number in OnBase for a P-Card purchase.
- Sales tax charges on a purchase under \$100.00 will not receive an infraction.

This will confirm training recipients receive written guidance matching the training information provided. This should be completed by the Purchasing & Grants Coordinator prior to the next P-Card training session.

#### Recommendation 4:

The PD should consider amending Item 4 of Section 32 – Procurement Selection Committee to reflect that special selection committee members should be familiar with the government procurement processes or at a minimum, the procurement process in general. Selection of individuals familiar with only the goods

or services being procured does not provide assurance of compliance with all purchasing laws, regulations and procedures in the evaluation of procurements. OMB is responsible for revisions to the purchasing manual.

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**Audit Findings:** Audit findings are a summary of operational weakness, deficiencies, adverse conditions or the need for process changes.

#### Finding 1:

**Condition:** The PD does not have separate policy and procedure guidance for completion of department operations.

**Criteria:** Having a roadmap or procedure for task completion helps ensure the department works effectively and efficiently in the absence of staff currently completing those functions.

**Cause:** The department relies solely on the purchasing manual for both policy and procedure.

**Effect:** Should a staff member be unavailable for an extended period or leave the department, well documented and thorough procedures would significantly mitigate the risk of error and aid in the transition of duties.

**Recommendation:** The PD should establish procedures for completion of work processes that will provide guidelines for current tasks.

#### Finding 2:

**Condition:** Our evaluation of the special and regular selection committee meetings found they functioned divergently.

**Criteria:** The PD facilitates the committee meetings and should validate they are run functionally in a standardized format.

**Cause:** The PD lacking control of the meeting format.

**Effect:** A department or committee member could have undue influence or manipulate the procurement process if a standardized format is not followed.

**Recommendation:** The PD should have a standardized committee meeting format that will aid in a fact-based analysis of the Vendor submissions.

#### Finding 3:

**Condition:** The PD currently monitors P-Card reports for split transactions within the same department but does not monitor for repetitive P-Card purchases from the same vendor by different departments. This may signify an ongoing need for certain services on a “fairly regular basis” as noted in section 12.01(1) of the purchasing manual which may denote the need for a Vendor agreement.

**Criteria:** Monitoring for P-Card repetitive vendor use by multiple departments would help identify vendors who may need to have an agreement with the County.

**Cause:** The PD P-Card monitoring includes only a pivot table to identify split purchases by department.

**Effect:** If repetitive purchases of service from the same vendor by different departments goes unchecked, the need to have an agreement in place for the vendor is not identified.

**Recommendation:** The PD should formulate P-Card monitoring that will identify overutilization of the same vendor in multiple departments.

#### Finding 4:

**Condition:** The County purchasing manual verbiage leaves open to interpretation several areas of the procurement process as well as making some of the procedures indistinct and unclear.

**Criteria:** Department guidance with clear instructions and definitions will assist staff in multiple departments in interpreting the guidance and making uniform decisions.

**Cause:** The purchasing manual has some inconsistent and vague language used in some of the guidance provided in the manual.

**Effect:** Inconsistent or ambiguous instructions can lead to staff making conflicting interpretations of the process guidelines or the meaning of a statement.

**Recommendation:** The department should review the purchasing manual for instances of inconsistent information or indeterminate statements.

Some examples noted in the audit:

- Table 1 does not address petty cash/reimbursement although Section 11.02 (1) of the manual references Table 1 for authorized dollar limits for petty cash .
- Section 12.01(1) and (2) appear to conflict as (1) speaks to competitive verbal quotes while (2) indicates at least one quote must be obtained. Obtaining one quote would not meet the definition of “competitive” quotes.
- Obtaining quotes from internet vendors is not clear as to the delineation of looking online at pricing versus contacting online vendors for quotes.
- The term “fairly regular basis” has not been defined in the manual.
- The term “not practicable” is undefined and could be subjective to staff.
- Appendix 1 - Purchasing Card (P-Card) Policy and Section 23-Direct Payments (1) of the purchasing manual do not address P-Card convenience fees and their authorization or prohibition for payment.

#### Management Response:

##### Finding 1:

Response: The department will establish procedures for the completion of work processes that will provide guidelines for current tasks.

##### Finding 2:

Response: We are currently using an agenda to move through the meeting. We are working to adopt an improved format to ensure all members understand the process and their roles as review committee members.

### Finding 3:

Response: We will work to monitor for these circumstances.

### Finding 4:

Response: The recommendation will be reviewed and taken into consideration the next time the Purchasing Manual is updated.

## Appendix 1 – Definitions.

Agreement – a legally binding understanding between two or more parties.

Amendment – alteration to terms of a contract or agreement.

BCC Agenda item – Document providing details of an item placed on the agenda for evaluation by the full BCC.

Contract – legally enforceable agreement that describes the terms and obligations of the business transaction.

Control form – Department tracking document.

Coordination Form – Internal department form reflecting approval signatures.

Cooperative Purchasing (Piggyback) – procurement conducted by, or on behalf of, more than one public procurement unit.

Infraction – designation that a P-Card purchase or supporting documentation does not comply with purchasing card policy.

Invitation to Bid – written solicitation for sealed competitive bids.

Invitation to Negotiate – written solicitation that calls for responses from individuals willing to negotiate an agreement.

Invitation to Quote - written solicitation that calls for pricing.

Pivot table – a processing tool used in Excel used to analyze data.

P-Card – credit card issued to authorized individuals who purchase goods or services.

Procurement – the process of buying or obtaining goods or services.

Purchase Order – document which identifies types, quantities and agreed prices for products or services.

Quote – verbal or written procurement procedure to obtain the price of a good or service.

Renewal – extending the timeframe of an existing contract or agreement.

Requisition – written request to have goods or services purchased.

Request for Proposal – written solicitation for sealed proposals.

Risk strategy – set of plans and processes that enable an organization to identify, assess, respond to, and monitor risk.

Selection Committee – individuals selected to review procurements. Regular selection committee members consist of County staff while Special selection committee members may include non-County employees.

Single or Sole Source – obtaining goods or services from only one Vendor due to functional requirements, availability, or legal requirements.

Solicitation – the act of attempting to obtain goods or services.

Split transactions – division of a P-Card purchase intended to circumvent the single purchase limit of the card.

Tangible property – refers to physical items that can be touched or moved.