



City of Stamford

Internal Audit Review of Procedures & Policies of Marina Fund

**Fiscal Periods from July 1, 2013
to June 30, 2018**

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Overview:

In May 2018, an incident occurred that led to the issuance of an arrest warrant for the City's former Marina Supervisor for allegedly misappropriating some \$60K of funds over the past three and a half years. At the urging of the City's Board of Finance, the Director of Administration has requested that the Internal Auditor perform a review of the Marina Fund's existing policies and procedures pertaining to the use of "draw down" purchase orders, procurement cards (P-Cards), and City hiring practices.

The Marina Supervisor is responsible for maintaining and managing two City-owned Marinas (Czescik and Cove Island), docks, boat slips, boat ramps, harbor buoys, equipment and supplies purchases, and other operating expenditures.

It should be noted that, except where specifically indicated, the Office of Operations management is responsible for the following City policies and procedures, especially as it relates to internal controls, and for any representations made in conjunction with completing this report.

The City's Office of Operations Maintenance Administration Division oversees six programs; they are: Government Center, Facilities, Parks, Beach Enforcement, Leased Facilities, and Marinas.

The internal audit objective is to review the City's Special Revenue Marina Fund #28 policies and procedures pertaining to the:

- Use of "draw down" purchase orders
- Employee use of P-Cards
- Certain employee hiring practices (specifically background checks)

This internal audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan our audit work, perform sufficient tests, and accumulate appropriate evidence to provide a reasonable basis for the findings and recommendations based on the internal audit objectives.

Scope:

In order to assess the Marina Fund procedures, Internal Audit will review all policies and procedures in place for the fiscal periods from July 1, 2013 to June 30, 2018:

A. Use of "Draw Down" Purchase Orders

- Purchasing Ordinance pertaining to "draw down" purchase orders
- Purchasing Department procedures and restrictions
- Copies of the Stamford Police Arrest Warrant and Police Report
- Interview Operations Manager Parks & Facilities, support staff, and City's Controller and Purchasing Manager
- Select samples of Marina Fund "draw down" purchase orders for review and testing
 - Trace sample items for purchasing system acceptance and submission
 - Trace sample items for appropriate approvals
 - Interview vendors regarding testing of sample items
 - Visit storage facility with Operations Manager Parks & Facilities and review inventory management practices, if any

B. Employee Use of P-Cards

- Obtain guidelines for P-Card usage and restrictions
- Compile/summarize former Marina Supervisor's charges, if any
- Select items for review and testing, if any
- Obtain copies of supporting receipts used to record expenditure items

Note: Internal Audit's current audit plan already includes project #2017.09 Review of City Purchasing Card Processes

C. Certain Employee Hiring Practices/Background Checks

- City Charter municipal code sec. 5-20-7 ("Personnel Function") through sec. C5-20-21 and sec. C6-140-1 ("Organization of the Personnel Commission")
- City's Classified Civil Service Rules
- Job application form submitted by former Marina Supervisor
- PAF (Personnel Action Form)
- Candidate screening, interviews, and ranking
- Records of document retention policy

Findings/Recommendations:
High Internal Audit Findings:

1. During Internal Audit onsite visit and review of invoices tested, additional misappropriated purchases (losses) were discovered across nine different vendors in the amount of \$32.9K. These new findings are in addition to Police Report findings of \$60K.

The Marina Summary Chart Breakdown by Nine Vendors for Misappropriated (Losses) Findings by Purchase Order Type:

Type of PO			Total PO Count	Selected Invoices for Audit	# Invoices in Findings	# Purchase in Findings	Total Amt. of Losses	% Total Amt. of Losses
Draw - Downs	Contracts / Bids/ RFPs	State/ US GSA Contracts*						
4			4	15	15	61	\$ 6,726.79	20%
		7	7	45	25	39	6,802.41	21%
		3	3	9	3	5	1,982.46	6%
	5		5	26	8	13	553.67	2%
5			5	62	40	58	12,387.26	38%
2			2	8	4	6	(394.65)	-1%
5			5	32	8	10	1,801.44	5%
6			6	14	10	19	2,147.81	7%
3			3	7	2	3	880.83	3%
25	5	10	40	218	115	214	\$32,888.02	100.0%

The Marina Summary Chart Breakdown for Misappropriated (Losses) Findings by Purchase Order Type and Dollars:

	Drawdowns	Contracts/ Bids/ RFPs	State/ US GSA Contracts*	Total Amount by PO Type
Total Amount of Loss by PO Type	\$ 23,549.48	\$ 553.67	\$ 8,784.87	\$ 32,888.02
(in thousands)	23.5	0.6	8.8	32.9
% of Total Amount of Loss	71%	2%	27%	100%

* GSA (General Service Administration)

Items found were: a boat GPS map, fuel tank, wave inverter, underwater LED lights with one year warranty, boat coaxial speakers, boat thermostat, new dual engine binnacle control box, boat autopilot computer, Garmin GMR radome, boat shrink-wrap, boat motor cowling four stroke, car accessories, cordless tools, and various clothing items, etc. **(See Exhibit A).** On November 19, 2018, Internal Audit sent the Marina's additional misappropriations (losses) findings worksheet to the City's Office of Legal Affairs.

2. During observation and onsite review of invoices, Internal Audit discovered the following:

- a. The Marina Department storage room facility was in disarray and disorganized, making the onsite audit invoice testing task difficult and time consuming. For example, the Marina snow blower was not in the Marina storage room but was later located in the Parks Department storage room.
- b. There were five Marina invoices that violated adherence to the City's Accounting Policy and Procedures Manual, Chapter 4: Accounts Payable, page 18, title 4.2 Receipt of Goods/Services, sec 4.2.5 (See Exhibit F). All five original Marina invoices were not signed or dated by former Marina Supervisor for receipt of goods/services (See Exhibit G).

Policy states: "The individual responsible for unpacking and checking shipment should also sign his/her name and note the date that the shipment was inspected."

- 1 vendor (J. Catalano & Sons, Inc.), invoice #96152734, for \$206.04 check #101109, date paid 4/29/2015
 - 1 vendor (Ring's End), invoice #693909 for \$1,770.00, check #104268, date paid 6/22/2015
 - 1 vendor (Grainger, Inc.), invoice #9475013836, for \$211.82, check #979748, date paid 7/14/2014
 - 1 vendor (Grainger Inc.), invoice #9751064230, for \$297.40, check #103655, date paid 6/12/2015
 - 1 vendor (Grainger Inc.), invoice #9773304424, for \$199.52, check #105445, date paid 7/15/2015
- c. The lack of adequate product identification on the majority of Marina related invoices was a problem throughout the audit. The only information provided on vendor invoices was the product manufacturing number/code. Additional audit time was required by Internal Audit to perform research on vendor website by each individual line item to try and find a picture of the product. If research results came back with a discontinued product more time was spent on performing a Google search or eBay search, etc.
 - d. Marina Department was not in compliance with the entire City Purchasing Ordinance, Sec. 23-18.13, Surplus Property and Equipment (See Exhibit C). There was no evidence of any inventory tracking system onsite for Internal Audit review or records maintained or reports provided.

3. Lack of internal controls for managing and maintaining adequate internal/external Marina vendor maintenance data.
 - a. During observations, it appeared that there was no designated employee responsible for directly managing vendor maintenance changes/updates within the H.T.E system, or dealing with invoice overpayments.
 - i. One finding discovered while conducting a telephone inquiry with vendor headquarters was that the current authorized registered signer listed in the vendor's file was the former Marina Supervisor. Internal Audit immediately contacted the vendor's corporate headquarters to inquire as to whom to contact and what information was needed to correct the vendor's files. That information and form was obtained and forwarded to the Operations Manager Parks & Facilities for handling.
 - ii. One finding was for lack of proper H.T.E system vendor account maintenance for the transaction audit trail. A subsidiary company several years back was purchased by a parent company which has the same VIN tax number listed on the account. The subsidiary vendor account transactions should have been "merged" into the parent company instead of being "de-activated" (temporarily shut off). By performing this H.T.E function, it will prevent future department/employees from making a request to "re-activate" the subsidiary vendor account and potentially make duplicate purchases.
 - iii. One finding discovered was with a vendor that was overpaid on invoice #167701 that was dated 2/27/2018 for \$1,057.42. The City is currently due a refund as a result of paying the invoice total account balance instead of the current balance due. As of today, this vendor has not yet repaid the City and is now being directed and handled by City's Office of Legal Affairs.
4. Lack of management oversight and review to safeguard Marina Department purchased assets and verification that purchases were placed in service for operational purposes.
 - a. Observation and review of Marina's invoice procedures and process were as follows:

- Former Marina Supervisor ordered all Marina products and accepted delivery by both online order and by physically going to the local store locations to pick-up products.
- Former Marina Supervisor was the only employee who signed off on the delivery receipts for all Marina invoices.
- Marina's original invoices signed off by the former Marina Supervisor were sent over to the Operations Executive Secretary for acknowledgment of acceptance by entering them in H.T.E system established PO "drawdowns."
- Marina invoices entered and signed off by the Operations Executive Secretary were forwarded to the City Controller's Office, Accounts Payable Department for vendor payment processing.
 - There was no evidence found of any other signatures on Marina's original invoice prior to the invoice being sent over to the Operations Executive Secretary for H.T.E system acknowledgment of receipt.
 - There was no evidence found on invoices with regard to Marina special products ordered describing the operational use/purpose the item was being put in place for.
 - There was no evidence found of any random onsite periodic Marina invoice product check conducted by any senior level management above the former Marina Supervisor.

5. Improper charges were made on two invoices for products not ordered by the Marina Department. The department who ordered the products should have been charged against the entire purchase order. Instead, a portion of the balance was charged to the wrong program which violated compliance of both the City's Accounting Policy and Procedures Manual and the F2017 Year-End Closing Instructions – Purchasing & Procurement **(See Exhibit E & F)**;

- a. It appears that two invoices for products/supplies ordered by the Parks Department (program 2134) for invoice #771608, amount due \$867.04, made on 7/03/2017 and invoice #333395, for amount due \$1,396.15, made on 6/30/2017 were charged against Marina Department unencumbered PO balance for \$182.59 and \$497.35 for products not received or ordered **(See Exhibit H)**.

Recommendation:

City's Office of Operations Manager Parks & Facilities:

1. To reduce potential risk of duplicate vendor and product purchases, the Operations Manager Parks & Facilities must consider whether Marina subsidiary vendor accounts should be "merged" (permanent migration of historical purchasing transactions) into the parent vendor account in the H.T.E vendor maintenance system to avoid "re-activation."
2. Marina Department must adhere to the City's Purchasing Ordinance, Sec. 23-18.13 Surplus Property and Equipment (**See Exhibit C**) policy and should consider investing in an inventory tracking software system. If this is not feasible due to budgetary constraints, an Excel worksheet must be created and maintained by Marina Supervisor for all inventory purchases made for \$250.00 and above. The Excel worksheet detail will need to be attached to the completed Purchasing Surplus Item for Sale, or Disposal Form before removing or disposing of any City owned property and equipment (**See Exhibit D**).
3. If Excel inventory tracking worksheet option is selected and created by the Marina Department Supervisor for tracking and maintaining all property and equipment purchases the worksheet must be periodically reviewed and monitored by Operations Manager Parks & Facilities or designee.
4. Operations Manager Parks & Facilities must **select** a designee other than the Marina Supervisor for managing all Marina vendor relationships including: directly contacting vendor, vendor inquiries, invoice correspondence and discrepancies, and changing/updating authorized signatories for the vendor file account.
5. Operations Manager Parks & Facilities must **mandate** that all Marina original invoices provide adequate description of product not just the manufacturing number/codes. If the vendor's invoicing software system is not capable of providing this information, the Marina Supervisor **must** provide the following support documentation:
 - Return invoice to vendor and request revision of description of Marina product ordered, or
 - Print product picture from the vendor's website and attach to all Marina original invoices. If no vendor website available, a Google or eBay search must be performed with the exact manufacturing product number/code and attached to original invoice

- If ordering a special order product, ask vendor for copy of product picture and attach to original invoice with a **written** explanation of the operational use/purpose the goods/services will be placed in service for

Operations Executive Secretary must search all Marina original invoices and should make judgement to reject/return any that do not adhere to the three bullet points above prior to entering goods receipt acknowledgement in the H.T.E system.

6. Random monthly onsite goods/products checks must be performed at the Marina storage location by the Operation Manager Parks & Facilities and provide his/her signature and date on the original invoices prior to submission to the Controller's Office Account Payable Department.
7. Marina original invoices must include two authorized signatories once product has been delivered or picked up at store locations (1 Marina Supervisor, 1 other Operations Manager/Forman) before forwarding them to the Operations Executive Secretary for goods receipt acknowledgment in the H.T.E system.
8. Only **current balances** due on Marina invoices should be processed for payment not the **total account balances** due to the vendor. The rationale for this is because typically the City's vendor check payments and mailing process is performed twice a month and would not necessarily reach the vendor in time before their next billing cycle. Thus, the current invoices received by the department would not reflect recent payments mailed/sent and could potentially lead to an overpayment of the invoice.
9. Prior to submission of Marina invoices to the Controller's Office for payment processing, the Operation's Executive Secretary must conduct research in the H.T.E general ledger system by vendor inquiry for all amounts paid-to-date by the vendor name and not just rely on the external Excel Marina purchase orders worksheet for "drawdowns."
10. Marina Department personnel must adhere to the City's year-end purchasing closing procedures instructions completely beginning with F2019. Any Marina Department questions/inquiries/concerns should be addressed to the City's Purchasing Manager and PO balances for individual programs should not be applied against any other program's budget for products not purchased by them. Those programs do go through a yearly budget approval process with both the Board of Finance and Board of Representatives and funds from other expenditure line items in the individual programs should be utilized to cover deficiencies.

Responses:

City's Office of Operations Manager Parks & Facilities:

1. Operations Manager agrees and will ensure that each vendor and product purchases are not from a duplicate vendor into the parent vendor account in The H.T.E vendor system to avoid "re-activation"
2. Marina Department and Operations Manager agree to policy (Exhibit C) by providing an updated excel worksheet which is maintained by the Marina Supervisor for all inventory purchases made for \$250.00 and above. Also will adhere to the disposal form before or removing or disposing any owned property and equipment (Exhibit D)
3. Excel Inventory tracking created by the Marina supervisor will be viewed on a monthly basis by the Operations Manager Parks & facilities or designee (Landscape specialist or Parks Foreman.
4. Operations Manager Parks & Facilities have selected the Land Scene Specialist or the Parks Forman for managing all Marina vendor relationships including: directly contacting vendor, vendor inquiries, invoice correspondence and discrepancies, and changing/updating authorized signatories for the vendor file account.
5. Operations Manager Parks & Facilities agree that will mandate that all Marina original invoices provide adequate description of product not just the manufacturing number/codes. If the vendor's invoicing software system is not capable of providing this information, the Marina Supervisor must provide the following support documentation.
6. Operations Manager Parks & Facilities agrees that Random Monthly onsite good/products checks have been instituted for all programs associated under the Parks and Facilities responsibilities (See Exhibit M) prior to submission to the controllers Department. This check monthly will be a random day/time of selection in which a random number will be chosen to view and confirm material and or job invoice is within the city scope and assure delivery and presence of the material located within the respected inventory area. By randomly selecting invoices of all programs will be viewed monthly confirmed. All notes reordered will be used as a legend of events of the selected invoice.
7. Operations Manager Parks & Facilities have implemented that all Marina original invoices must include two authorized signatories once product has been delivered or picked up at store locations (1 Marina Supervisor, 1 other Operations Manager/Forman) before forwarding them to the Operations Executive Secretary for goods receipt acknowledgment in the H.T.E system
8. Operations Manager Parks & Facilities agrees that Only current balances due on Marina invoices should be processed for payment not the total account balances due to the vendor. The rationale for this is because typically the City's vendor check payments and mailing process is performed twice a month and would not necessarily reach the vendor in time before their next billing cycle. Thus, the current

invoices received by the department would not reflect recent payments mailed/sent and could potentially lead to an overpayment of the invoice.

9. Operations Manager Parks & Facilities agrees prior to submission of Marina invoices to the Controller's Office for payment processing, the Operation's Executive Secretary must conduct research in the H.T.E general ledger system by vendor inquiry for all amounts paid-to-date by the vendor name and not just rely on the external Excel Marina purchase orders worksheet for "drawdowns." Operation Manager of Parks and Facilities will obtain/deliver all invoices prior to them going to accounts payable for final viewing and signoff of all invoices to be processed. Prior Invoices would go straight to Accounts Payable after signoffs by Forman/supervisors. **(See Exhibit L)**
10. Operations Manager Parks & Facilities and the Marina Department personnel must adhere to the City's year-end purchasing closing procedures instructions completely beginning with F2019. Any Marina Department questions/inquiries/concerns should be addressed to the City's Purchasing Manager and PO balances for individual programs should not be applied against any other program's budget for products not purchased by them. Those programs do go through a yearly budget approval process with both the Board of Finance and Board of Representatives and funds from other expenditure line items in the individual programs should be utilized to cover deficiencies.
11. Operations Manager of Parks and Facilities implemented 1/28/19 that a new purchasing guidelines for all Parks and Facilities division for any purchases/or services/jobs that are over \$250 will need to be approved by the Parks and facilities manager prior to a purchase being made on a drawdown **(See Exhibit K)**

Findings/Recommendation

Medium Internal Audit Findings:

1. It appears that "drawdown" purchase orders are **not clearly defined** in either the City's Purchase Ordinance dated 11/22/14 or in the Accounting Policy and Procedures Manual dated 12/30/08. This type of purchase order should be clearly defined by the Purchasing Manager to provide "How to" examples, required documentation, and specific restrictions by dollar thresholds.
2. Based upon Internal Audit data analysis and review it appears that there is an unusually high quantity of classified "draw down" purchase orders issued over last five fiscal years (62 out of 124 issued purchase orders = 50% of Total # of PO's issued and 76% of total dollars) for the Marina Department that do not necessary constitute operating on an emergency basis.
3. During observation of the Marina's purchase requisition H.T.E approval process by Levels 1-3; it appears the description provided by the requestor is too broad and vague and does not provide enough information to the next level approver. The information provided by a requestor in some cases would lack number of quantity for which locations, or what types of services were being performed by the vendor.

See current chart of Marina Fund H.T.E Requisition approval levels and codes below:

Current Marina Fund H.T.E Requisition Approval Codes (All)		
Requisition Level	Employee Titles	Verifies
1	Operations Executive Secretary	Enters all requests provided by Forman's (could be based on vendor provided quote/estimate/statement). Updates and enters "drawdown" requests onto Excel spreadsheet for encumbered/balances available funds.
2	Operations Parks & Facilities Manager	Reviews total budget line items and ensures encumbered/balances "drawdown" funds are available based upon the updated Excel spreadsheet.
3	Director of Operations	Questions/Inquiries about any services/product being requested are directed back to Level 2 Manager.
Pre-Audit	Accounts Payable Accountant	Ensures that Levels 1-3 H.T.E system approvers are not the same personnel.
Buyer	Purchasing Department Manager / Buyer	Purchasing Department ensures that the requisition is in compliance with the City's Purchasing Ordinance.

4. During review of the City's Human Resource's Marina's Department "Certification of Eligible" form it was noted that the appointing authority signature was incorrectly signed-off by the wrong official. The form's "report of action" section should have been signed off by the former Office of Operations Director but instead was signed off by the Operations Manager of Parks & Facilities which does not follow Civil Service Rules, Rule 2 Definitions Appointing Authority - Commission, commissioner, department head, executive officer, person authorized by statute or otherwise delegated to lawfully make appointment" ([See Exhibit I](#)). There was no documented delegation of authority given or provided to the Office of Operations Manager of Parks & Facilities who by memo indicated selection of another candidate and therefore should not have signed it. In addition, there was no correction/update made by the Human Resource's Director of this administrative error on the form.
5. During review of the City's Civil Service Rules amended 6-25-15, it appeared that on page 6 of 27 the document references numbers 731, 735, and 736 were **out of date**. As part of the 1987 Charter revision these references were superseded by Charter section codes C6-140-1, and C5-20-10, and 736 was deleted.
6. No P-Card was ever issued to the former Marina Supervisor. However, during Internal Audit review of the City's P-Cards (Purchasing Credit Card) procedures and restrictions the following observations were made:
 - Unusual number of meals/lunches purchased by various departments besides the Recreation Department (examples: donuts, coffee, bagels etc.)
 - Unusual funeral flowers purchased (Not clear on how this purchase is considered operational use)
 - Unusual retirement gift purchased (Not clear on how this purchase is considered operational use)
 - Individual departments charging P-Card for Amazon prime membership fee,
 - No explanation or indication as to why vehicle repairs were charged on P-Card and if these vehicles are City owned
 - No explanation or indication as to why office supplies are being purchased by P-Card instead of established State or GSA purchasing contract already in place
 - No clear guidance/instruction found on P-Card procedures and policy with regard to the following:
 - Instructions for no/lost receipts support for purchases made and what to do if this occurs

- No specific indication of which department head/officer would conduct periodic management oversight of the P-Card Administrator reconciliation and review processes
- No specified personnel indicated for auditing the P-Card procedures program and frequency

Recommendation:

City's Office of Legal Affairs – Director of Human Resource:

Internal Audit recommends:

1. Immediately correct the City's Classified Civil Service Rules page 6 of 27 reference code sections to C6-140-1 (supersedes 731), and to C5-20-10 (supersedes 735), and delete code reference 736, accordingly.
2. Ensure by review that all final documents adhere to City's Classified Civil Service rules by re-checking that appropriate appointing authority signatures are accurately reflected in the personnel file during the candidate selection report of action process.
3. Provide memo or note in personnel file if appointing authority/power signature authorization process has been delegated to lower level management as part of report of action.

City's Office of Operations Manager Parks & Facilities:

Internal Audit recommends:

1. Adequate training must be administered at least on an annual basis to all Marina level 1-3 approvers of purchasing requisitions with the help of the City's Purchasing Manager.
2. Operations senior manager should review and re-evaluate, in conjunction with training to be provided, the Marina's level 1-3 requisition approvers' effectiveness on the overall process.
3. Adherence and compliance with all instructions in the City's year-end procurement close process must be made by all of the Marina staff. Any questions/comments or concerns should be addressed to the City's Purchasing Manager, OPM Assistant Director, or Controller.
4. Adherence to City's Civil Service Rules for permission for delegation of signatory authority for the candidate selection process of "Certification of Eligibles" form signoff and form completion should be provided in writing and included in Human Resource candidate's personnel file.

City's Purchasing Manager:

1. **Definition of what constitutes a drawdown (blanket purchase orders)** should be included as an amendment to the City's Accounting Policy and Procedures Manual, Chapter 3, Title C. Purchases Significant Policies for all purchase order types, criteria's, and dollar threshold restrictions **(See Exhibit F)**.
2. Training must be provided with the assistance of the Operations Manager Parks & Facilities at least annually to all Marina Department designated personnel assigned who perform purchase requisition level 1-3 approvals in the H.T.E system and specifically reviewing each personnel's responsibilities by level.
3. To ensure accurate and timely execution of the F2019 year-end procurement close instruction should be revisited and revised with the assistance of the Controller and OPM Assistant Director to provide clearer definitions, explanation of procedures that can/cannot be performed (**transfers verses close out**), and deadline dates for all purchase orders prior to closing.

City Controller's Office & Controller:

1. To ensure accurate and timely execution of the F2019 year-end procurement close instruction should be revisited and revised with the assistance of the City's Purchasing Manager and OPM Assistant Director to provide clearer definition, processes that can/can be performed (transfers verses close out), and deadlines dates for all purchase orders upon closing.
2. Several Key factors to consider for implementing best practices checklist for P-Card prevention and detection:
 - a) Timely account/card closures, card collections, card destructions, card surrenders
 - b) Consider using Amazon Business website to prevent product shipping or delivery to incorrect address and for potentially better pricing for number of users
 - c) Flag and monitor high volume of meals, entertainment, flower delivery transactions
 - d) Consistent enforcement of policies and procedures, regardless of job title/level
 - e) Cardholder's over a certain dollar threshold audited at least annually.
 - f) Provide both existing and new cardholder's (including approvers) with training at least annually

Responses:

City's Office of Legal Affairs – Director of Human Resource:

Response of City's Office of Legal Affairs – Director of Human Resources:

1. Amendments to the City's Classified Civil Services Rules correcting the inaccurate references to the Charter in the Rules shall be submitted to the Personnel Commission for their approval at the next meeting of the Commission. We have requested that this issue be added to the Agenda of the next meeting of the Personnel Commission which is scheduled to be held on February 21, 2019.
2. 2 & 3. Memorandum to HR Generalists directing them to confirm that the appropriate appointing authority's signature is obtained and accurately reflected in the personnel file. If appointing authority delegates the appointment authority to lower level management, the appointing authority must provide a confirming memo to be maintained with the appointment paperwork in the personnel file (See Exhibit O).

City's Office of Operations Manager Parks & Facilities:

1. Operations Manager Parks & Facilities agrees to adequate training must be administered at least on an annual basis to all Marina level 1-3 approvers of purchasing requisitions with the help of the City's Purchasing Manager.
2. Operations Manager Parks & Facilities agrees to review and re-evaluate, in conjunction with training to be provided, the Marina's level 1-3 requisition approvers' effectiveness on the overall process.
3. Operations Manager Parks & Facilities agrees to adhere and comply with all instructions in the City's year-end procurement close process must be made by all of the Marina staff. Any questions/comments or concerns should be addressed to the City's Purchasing Manager, OPM Assistant Director, or Controller.
4. Operations Manager Parks & Facilities agrees to adhere to City's Civil Service Rules for permission for delegation of signatory authority for the candidate selection process of "Certification of Eligibles" form signoff and form completion should be provided in writing and included in Human Resource candidate's personnel file.
5. Operations Manager Parks & Facilities will work to ensure accurate and timely execution of the F2019 year-end procurement close instruction should be revisited and revised with the assistance of the City's Purchasing Manager and OPM

Assistant Director to provide clearer definition, processes that can/can be performed (transfers verses close out), and deadlines dates for all purchase orders upon closing.

6. Operations Manager Parks & Facilities will be implementing best practices checklist for P-Card prevention and detection with the below suggestions
 - a) Timely account/card closures, card collections, card destructions, card surrenders
 - b) Consider using Amazon Business website to prevent product shipping or delivery to incorrect address and for potentially better pricing for number of users
 - c) Flag and monitor high volume of meals, entertainment, flower delivery transactions
 - d) Consistent enforcement of policies and procedures, regardless of job title/level
 - e) Cardholder's over a certain dollar threshold audited at least annually.
 - f) Provide both existing and new cardholder's (including approvers) with training at least annually

City's Purchasing Manager:

1. The Purchasing Manager will provide guidance to define a drawdown purchase order. Purchasing will issue guidance by February 28, 2019 to all City Managers and request that the Controller's Office include the memorandum in the City's Accounting Policy and Procedures Manual, Chapter 3, Purchasing Section D. Attachments (Appendix A) **(See Exhibit J)**.
2. The Purchasing Manager will coordinate a technical assistance training session with the Operations Manager Parks & Facilities and establish a training schedule. Additionally, Purchasing recommends that the Controller's Office participate in the training session to review the entire process – entry to receipt. Note – While the H.T.E requisition approval levels are not established by Purchasing, the Purchasing Manager agrees with the Internal Auditor's observation that the description entered by the requestor is often "vague" and the requisition levels of approval should be assigned to individuals with knowledge of day to day operations.
3. The Purchasing Manager will work with the OPM Assistant Director and Controller to revise the Year –End Closing Instruction memo issued by the Controller's Office (Exhibit E). OPM, Purchasing and the Controller have met to discuss revisions to the memo, such as revising the explanation of procedures regarding transfers, increases, decreases, close outs, accrual journal entrees and deadline dates for all purchase orders.

City Controller's Office & Controller:

1. After meeting with Operations Manager Parks & Facilities and the Purchasing Manager, the F2019 year-end procurement close instructions were revised to incorporate their comments and concerns. A draft of the F2019 instructions is attached (**Exhibit N**)
2. The Assistant Controller (Controller's Office) was asked to assume responsibility for the P-Card program after the departure of the City's Purchasing Agent and the hiring of a new Purchasing Manager in August of 2017. We would point out that although the Marina fraud was not perpetrated using a P-Card, the Controller's Office agrees with the best-practice recommendations but has the following comments on each of them:
 - a) P-Cards issued to terminating employees are surrendered to the Assistant Controller prior to or on the employee's termination date.
 - b) Doing business with, and sourcing goods through Amazon, has always been an option – subject to the dollar limits in the Purchasing Ordinance
 - c) Department heads are required to approve all P-Card purchases and they have been reminded of the need to police inappropriate uses of the P-Cards by their staff.
 - d) See response to c) above
 - e) As long as card usage is within the budgeted limits for the accounts that are charged, the Controller's Office does not have reason to question properly approved expenditures that conform to policy guidelines. Any out of policy charges are flagged in conjunction with the Assistant Controller's review of the monthly statements and they are brought to the attention of the applicable department head (or their superior) – also, see response to f) below.
 - f) P-Card use guidelines are provided to all new P-Card holders. Revised guidelines will be distributed to all P-Card holders with each significant revision and questions, if any, can and will be answered on a real time basis.

Finally, the list of P-Card holders had not been maintained and was more than a year out-of-date so that was the first task undertaken by the Assistant Controller was updating the list and identifying the cardholders in each City department. Department heads were advised that no new cards would be issued until they had provided information regarding existing card-holders on their staffs. The list will be maintained and kept updated by the Assistant Controller from this point forward.

Work Performed:

Scope A: Use of "Draw Down" Purchase Orders

- a) Reviewed City's Purchasing Ordinance and Purchasing Department procedures and restrictions **(See Exhibit B)**
- b) Examined Police Warrant and Police Report
- c) Selected sample invoices for testing there was 124 purchase orders for FYE (2014-2018). Internal Audit random sample selected tested 100% the 62 "draw down" PO across 25 vendors and did performed additional sample selection to include other various PO contract types.

Marina Fund	
PO Type Description	Total # PO's
CONTRACT/BID/RFP ORDERS	25
DRAWDOWN	62
PURCHASE ORDER	16
STATE OR GSA CONTRACT	20
WAIVERS	1
Grand Total	124

- d) Traced sample items to H.T.E system submission, acceptance, and approvals
- e) Interviewed Acting Marina Supervisor, Operations Manager Parks & Facilities, Interim Director of Operations, Operations Executive Secretary, and City's Controller and Purchasing Manager
- f) Performed telephone interviews with selected vendors
- g) Performed onsite visits and reviewed inventory management practices, if any

Scope B: Employee Use of P-Cards

- a) Reviewed City's P-Card guidelines usage and restrictions policy
- b) Obtained credit card bank statements for fiscal years 2014-2018
- c) Reviewed all transaction P-Card charges made for fiscal years 2014-2018
- d) Summarized/compiled the former Marina Supervisor's charges, if any

Scope C: Employee Hiring Practices/Background Checks

- a) Reviewed City Charter municipal code sec. 5-20-7 ("Personnel Function") through sec. C5-20-21 and sec. C6-140-1 ("Organization of the Personnel Commission")
- b) Reviewed City's Classified Civil Service Rules
- c) Reviewed former Marina Supervisor's
 - Job application
 - PAF (Personnel Action Form)
- d) Reviewed City's Human Resources Department policy/procedures
 - Candidate screening, interviewing, and ranking
 - Records retention