

ACCOUNTS PAYABLE AUDIT

**Invoices Less Than \$25,000
FY 2006**

August 4, 2006

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EXECUTIVE SUMMARY

The School Board Audit Office has completed an Accounts Payable Audit of invoices less than \$25,000. This audit was conducted based on a special request from the School Board made at the May 1, 2006 workshop. The purpose of this audit was to ascertain that the invoice payment processing controls are effective in ensuring purchases are valid and are in compliance to established policies and procedures, Florida DOE rules, and related Florida State Statutes. The scope of this review included all invoices less than \$25,000 that were paid between the period of July 1, 2005 and April 26, 2006. The volume of records included 108,469 invoices for a total outlay of \$71,014,237. Documents such as the District Budget Manual, Financial Accounting Department Manual, LCSB Board Policies and Administrative Regulations, and Florida DOE website were used to research the different requirements regarding funding and compliance rules for school district purchases.

The majority of payments reviewed were completed by on-line entry into the Automated Purchase Order (APO) system (see **Appendix B** for payment breakdown by purchase order type). This system has automated approval and encumbrance controls in place. Although the APO system is just one component in the full purchasing process, its automated approval and encumbrance capabilities has streamlined the purchasing process and reduced several inefficiencies of using only a manual purchase order format. In addition to the APO system, manual purchase orders are still being used. The type of manual purchase order to use depends on the specific purpose of the purchase (see **Appendix A** for descriptions of the various purchase orders).

Whether on-line or manually completed, all purchase orders have internal controls in place, systematic and manual. Funds must be secured prior to a purchase order being issued whether the purchase order is automated or manual. The level of approval is based on the type and dollar amount of the purchase order.

Although the audit results did not indicate any signs of fraud, intentional mismanagement, or blatant disregard for policies and procedures, the audit process did identify areas where enhancements to current policies and procedures could ensure stronger internal controls and greater adherence to the established policies and procedures.

In summary, the following observations were noted.

- Some categorical purchases for projects 5019 and 5119 were processed on purchase orders that do not flow into the textbook system used by the Curriculum & Staff Development Center to monitor compliance to Fl. Statute 1006.40.
- Professional and technical service agreements (consultant contracts) purchase orders and invoice payment procedures were not adhered to on a consistent basis.
- Several locations that have the capability to complete purchases through the on-line APO system were using the manual “W” purchase order.

To help ensure the District keeps the risk exposure to a minimum, the following is a summary of the recommendations for policy and/or procedural enhancements.

1. Develop a training session or District website tutorial that outlines the proper expenditure accounts required by the Florida State mandated Uniform Chart of Accounts and when the various automated or manual purchase orders should be used.
2. Ensure that a copy of the Budget Manual, which includes the Florida State mandated Uniform Chart of Accounts, is provided as reference to all employees with accounting responsibility for initiating or approving purchase orders and approving or paying invoices.
3. The mainframe report “BL-028” which captures all purchases related to the 5019 and 5119 projects should be used for monitoring purposes by the Curriculum & Staff Development Center to ensure full compliance is occurring with Florida State Statute 1006.40.
4. Review the various types of manual purchase orders being used in lieu of the APO system and strive to reduce both the various types of manual purchase orders and the volume of manual purchase orders being used. A survey to users would be a first step to ascertain users’ purchasing needs and purchase process knowledge.
5. The T purchase order was designed as a control to monitor outside professional & technical service contracts. These types of purchases should be processed on the T purchase order to distinguish them from other purchase orders since an approved contract is needed as backup before paying the consultant.
6. Implement a new School Board Administrative Regulation that addresses “Professional and Technical Service Agreements”.

The School Board Audit Office requested the Superintendent provide a response/action plan that addressed the audit observations and recommendations. The official response was to address each recommendation presented and specify whether the recommendation was:

- Accepted and implemented;
- Accepted with implementation pending;
- Under study; or
- Rejected with an explanation of why rejected.

The School Board Audit Office has accepted the Superintendent’s responses/action plan with a caveat that an audit follow-up would be conducted to ensure the action plan items have been fully implemented.

Furthermore, many of the 108,469 invoices paid represented only a portion of their corresponding blanket purchase order total dollar amount. Because the invoice payment data provided to complete this audit did not include the corresponding total purchase order amount, bid number, or purchase order date, the Audit Office is recommending a “Purchasing” audit be conducted to ascertain that established purchasing controls are

effective in ensuring consistent compliance to State and District regulations (i.e. vendor setup procedures, compliance to bidding procedures and contract terms).

At this time, the School Board Audit Office would like to thank the District staff who gave their time, insight, and cooperation during the audit process to diligently address these audit issues in a timely and professional manner. In addition, the Financial Accounting Department should be commended for keeping organized payment records. All payment records requested during the audit were made available to the Audit Office in a very professional and timely manner.

DETAIL REPORT

PURPOSE, SCOPE AND OBJECTIVES

The School Board Audit Office has completed an Accounts Payable Audit of invoices less than \$25,000 paid over the 2006 fiscal period. This audit was conducted in response to a special request from the School Board made at the May 1, 2006 workshop. The purpose of this audit was to ascertain that the invoice payment processing controls are effective in ensuring purchases are valid and are in compliance to established polices and procedures, Florida DOE rules, and related Florida State Statutes. The scope of this review included all invoices less than \$25,000 that were paid between the period of July 1, 2005 and April 26, 2006. The volume of records included 108,469 invoices for a total outlay of \$71,014,237. Documents such as the District Budget Manual, Financial Accounting Department Manual, LCSD Board Policies and Administrative Regulations, and Florida DOE website were used to research the different requirements regarding funding and compliance rules for school district purchases.

To analyze the FY2005/06 data, invoice data was extracted from the mainframe by District IS staff and provided to the School Board Auditor on a CD. The data was then converted from the mainframe language to a windows-based ACCESS database table. Numerous ACCESS queries and EXCEL spreadsheets were created to sort the data by different purchase order types, projects and object account codes. The data provided on the CD did not include the corresponding total purchase order amount or purchase order date. Since this information was not provided in the scope of this accounts payable audit, a subsequent "Purchasing" audit is recommended to review vendor setup procedures, compliance to bidding procedures and contract terms.

The objectives of this accounts payable audit were to determine that:

1. Invoice payments were valid;
2. Invoice payments were properly recorded and reported per the established Florida State mandated Uniform Chart of Accounts - expenditure accounts (Chapter Four of the "The Red Book");
3. Invoice payments were properly approved;
4. Invoice payments were accurately calculated; and
5. Invoice payment procedures were in compliance with District established polices and procedures, Florida DOE rules, and related Florida State Statutes for payment processing.

DETAIL OF OBSERVATIONS AND RECOMMENDATIONS

The audit conducted found no signs of fraud, mismanagement or blatant disregard for policy and procedures. However, the audit observations did identify where weaknesses in policies and/or procedural controls affected the efficiency, effectiveness and/or consistent compliance in operations.

There are several different purchase order types being used, both manual and automated (see Appendix A and B for purchase order type and dollar amount spent per type). The different types of purchase orders serve a vital purpose in identifying the specific type of purchase. The majority of purchase orders are completed by on-line entry into the Automated Purchase Order (APO) system. This system has automated approval and encumbrance controls in place. Although the APO system is just one component in the full purchasing process, its automated approval and encumbrance capabilities has streamlined the purchasing process and reduced several inefficiencies of using only a manual purchase order format. Approximately 59% of the 108,469 invoices reviewed in this audit were “C” and “D” type purchase order invoices generated from the APO system. Due to the APO system’s limitation of splitting encumbrance dollars between only two account lines per purchase order, a manual purchase order may need to be completed if encumbrancing is split between three or more accounts for that particular purchase.

The second on-line system is the Textbook system used for purchasing textbooks and library periodicals. These purchase orders begin with a “B” prefix. Approximately 7% of the 108,469 invoices reviewed in this audit were “B” type purchase order invoices.

The third on-line system is the Enterprise Asset Management (EAM) system. These purchase orders begin with a “Q” prefix and approximately 13% of the 108,469 invoices reviewed in this audit were “Q” type purchase order invoices.

In total, approximately 79% of purchases were completed via an on-line system. Although these on-line systems exist, there may be circumstances when a manual purchase order must be completed. The type of manual purchase order to use depends on the specific purpose of the purchase. The following is a list of designated manual purchase orders developed to handle the specific type of purchases.

- Food Service purchases (“F”)
- Teacher Lead checks to teachers (“T”)
- Local purchase of \$150 or less (“L”)
- Authorized In County travel reimbursements (“M”)
- Authorized Out-of-County travel reimbursements and Professional & Technical Service Contracts (“T”)
- Safe Driver Awards (“U” and “X”)
- Petty cash reimbursements (“V”)
- Manual purchase orders without a special designation (“W” and “S” [used prior to W])
- Purchase orders to Utility companies (“Z”)

Whether on-line or manually completed, all purchase orders have internal controls in place, some systematic and some manual. Funds must be secured prior to a purchase order being issued whether the purchase order is automated or manual. The level of approval is based on the type and dollar amount of the purchase order.

In addition, all related invoice payments to the original purchase orders must go through an additional approval process before payment. The Financial Accounting Department's Procedural Manual outlines the procedures for invoice payment processing and includes steps to ensure payments have proper approval and documentation. Noted during the audit was that the Financial Accounting Department kept adequate supporting documentation in their payment records.

The audit identified areas where enhancements to current procedures would ensure stronger internal controls and greater adherence to established policies and procedures. In summary, all five audit objectives were consistently being met for invoice payments related to these types of purchase orders:

- Food service purchases (F),
- Teacher Lead checks to teachers (I)
- Local purchases < \$150 (L),
- In county travel reimbursements (M),
- EAM work order system purchases (Q),
- Out-of-County travel reimbursements (T),
- Petty cash reimbursements (V),
- Safe Driver Awards (U and X), and
- Utilities payments (Z).

The invoice payments related to these remaining types of purchase orders may not be consistently meeting one or more of the five audit objectives.

- APO purchases (C, D),
- Textbook system purchases (B),
- Professional & Technical Service Contracts (T),
- Manual purchase orders with out a special designation (W and S [used prior to W])

The following observations, recommendations and management responses address the areas where strengthening established policies or procedures could minimize coding errors, enhance operational efficiencies, and ensure consistent compliance.

Observation regarding the APO system account coding. Invoice payments were not consistently recorded to the designated object code per the established Florida State mandated Uniform Chart of Accounts - expenditure accounts (Chapter Four of the "The Red Book"). The audit noted that numerous invoices paid to JM Todd for service contract agreement fees were coded to "rental" (object code 360) or "supplies" (object code 510). Per the Uniform Chart of Accounts, service contract agreement fees should be coded to "repair" (object code 350). Some miscoding were isolated instances while other coding errors indicated that some locations needed additional training for proper account coding.

Recommendation:

- To ensure employees have adequate training for coding purchases, a training session or District website tutorial should be developed that outlines the proper expenditure accounts required by the Florida State mandated Uniform Chart of Accounts.
- To ensure employees have adequate reference for coding, a copy of the Budget Manual that includes the Florida State mandated Uniform Chart of Accounts should be provided to all employees with accounting responsibility for initiating or approving purchase orders and approving or paying invoices.

Response: *Accepted with implementation pending. The Financial Accounting Department district website will be updated to include information on the Florida mandated Uniform Chart of Accounts and a yearly district meeting to train/refresh bookkeepers will be scheduled.*

Observation regarding the APO system usage: The APO system is being used to purchase several professional & technical services thus bypassing the “T” purchase order that has established controls for monitoring Professional & Technical service contracts. According to the Finance Director, the reason the T purchase order is used for Professional & Technical service contracts is to ensure a copy of the approved contract is attached to the purchase order in order to verify propriety of payment request before final payment is made.

Recommendation: The T purchase order was designed as a control to monitor outside professional & technical service contracts. These types of purchases should be processed on the T purchase order to distinguish them from other purchase orders since an approved contract is needed as backup before paying the consultant.

Response: *Accepted and implemented. Human Resources has completed a process document for Consultant Contracts that include the information regarding using the “T” purchase order to generate payment. In addition, procedures will be updated to the Financial Accounting Department district website and included in the annual bookkeeper training.*

Observation regarding the Textbook system usage: Textbooks are a state categorical, thus funds are restricted for this purpose. Florida Statute 1006.40 requires the District to use “no less than 50 percent” of the annual allocation towards textbooks. As an added control, an established District procedure increased this to “no less than 60 percent” to ensure the District complies with the statute. These categorical purchases require specific account code entry to projects 5019 and 5119 in order to monitor compliance with Fla. Statute 1006.40. Compliance is monitored monthly by the Curriculum & Staff Development Center by using the BL-032 Project Report generated from the “B” textbook system. As an added inventory control, textbooks purchased for inventory purposes are tracked using the Destiny Bar Coding System.

The audit noted that proper account codes were used. However, “dual enrollment” purchases were processed using the manual “W” purchase order thus bypassing the tracking control of the B textbook system. According to the Budget Department, which is responsible for the dual enrollment purchases, if a “B” textbook purchase order were used, then the purchase order would have to be done after the book is purchased and that would be a “confirming order” which is not allowed. Also noted was that numerous other purchases for projects 5019 and 5119 were processed through the on-line APO system on “C” and “D” purchase orders.

Since the Curriculum & Staff Development Center monitors compliance with State Statute 1006.40 by using a report generated from only the “B” textbook system, the data used for tracking compliance does not include the manual “W” and on-line APO purchase orders. In discussing this finding with the Finance Director, a mainframe report “BL-028” does exist that includes all purchases for the 5019 and 5119 projects but this report has not been provided to the Curriculum & Staff Development Center. As a result, not all purchases for projects 5019 and 5119 are being included for monitoring compliance with Florida Statute 1006.40.

Recommendation:

- The mainframe report “BL-028” which captures all purchases related to the 5019 and 5119 projects should be used for monitoring purposes by the Curriculum & Staff Development Center to ensure full compliance is occurring with Florida State Statute 1006.40.
- To streamline the purchase order process, management should ensure the Textbook system is used to its full capability by reviewing whether the textbook system could be modified to include the dual enrollment textbooks, thus eliminating the W manual purchase order process.
- The APO system should not be used for purchases of categorical textbooks and other instructional materials related to project 5019 and 5119.

Response: *Accepted and implemented. To ensure compliance with F.S. 1006.40, Curriculum & Staff Development staff that work with the textbook expenditures will be advised of the mainframe report and given guidance in the use of the report to determine the district’s compliance.*

Three observations regarding the “T” purchase order used for Professional & Technical Services: The T purchase order used for out-of-county travel reimbursement is also used for processing Professional and Technical Service contract payments. “T” purchase orders for outside professional & technical service agreements are assigned a suffix “A” to the P.O. number and the purchase order is coded to the 310.00 object code per the established Florida State mandated Uniform Chart of Accounts. Before payment is made, the Finance Department requires an approved “T” purchase order, a copy of the approved contract, and an approved invoice in order to verify propriety before payment is made.

1. Noted during the audit is that an Administrative Regulation does not exist that addresses consulting agreements. However, there is some minimal instruction included in the District Budget Manual. For example, School Board employees cannot be paid as consultants or the services provided cannot be similar to those that could be provided by a LCSD employee. Furthermore, to ensure the consultant is not an employee or that the services are not similar to those that could be provided by a LCSD employee, the Accounting staff use a verification checklist and attach this document to the supporting documentation.

2. Noted during the audit was that there were several versions of the consultant contract (5/02, 10/03, 8/05) being used although the most current version was to be used starting 9/05. The revised consultant contract form states, "This agreement must be signed and approved. The vendor must be fingerprinted prior to performing services for the School District of Lee County as outlined above." This form no longer states that it should be signed and approved **prior** to services being rendered. Although prior approval continues to be the current requirement and practice, it is no longer stated.

3. A sample of sixty invoice payments for both travel and consulting services were reviewed to ensure compliance to the five audit objectives. Results of testing a sample of 60 invoice payments indicated that 1) the five audit objectives were consistently being met for all out-of-county travel reimbursement payments in the sample. However, 2) the five audit objectives were not consistently being met for professional & technical service agreement payments. The exceptions noted are as follows.

- Three payments to consultants were missing a copy of the contract as supporting documentation for the complete (final) payment.
- Two payments to consultants were missing the consultant signature on the T form and the contract.
- Four payments to consultants were approved after the service was rendered.

Recommendation: A new administrative regulation (AR) should be written as an official document to provide District personnel with the policy and procedures necessary to help ensure consistent compliance to established practices.

- Management needs to develop an Administrative Regulation addressing Consultant Agreements.
- While the Administrative Regulation is being developed, a reminder memo of the current policy and procedures should be written and distributed to all employees with accounting responsibility for initiating or approving purchase orders and approving or paying invoices. This memo should reinforce that "prior" approval is required since the current consultant contract form no longer states this.

Response: *Accepted with implementation pending. We agree that an Administrative Regulation would be of benefit. Human Resources has completed a process document for Consultant Contracts that include the information regarding using the "T" purchase order to generate payment. In addition, procedures will be updated to the Financial Accounting Department district website and included in the annual bookkeeper training.*

All staff responsible for initiating or approving the hiring and/or paying of Consultants will be sent a reminder memo of the procedures for submitting the document, obtaining approval, and paying the Consultant.

Observation regarding manual “W” purchase order usage: Testing indicated that there is no consistency for when a “W” manual purchase order is used. Generally, a “W” manual purchase order is completed when the automated purchasing system (APO) cannot be used due to the limitation of allowing only two account lines to be encumbered. However, audit testing of the “W” purchase orders indicated that several locations that could have used the APO automated system were using the manual “W” purchase order instead. As a result, the on-line automated purchasing system (APO) that is intended to streamline the purchasing process and increase efficiency and effectiveness of purchasing operations is by-passed. Although no errors were noted in account coding, the variety of different purchase orders being used for the same type of purchases indicates this may be a training issue for when to use certain purchase orders.

Noted during the audit testing are some examples of purchases that were processed using the manual “W” purchase order, while similar purchases were processed on either the on-line APO system or some other type of manual purchase order.

- Out-of-county travel reimbursements using grant-funded dollars are processed on the on-line APO system, manual T or W purchase order forms.
- Cell phone payments and ESE IDEA Part B phone charges are processed using the automated APO system. Landline telephone service payments County wide are processed using the Z purchase order. Numerous other phone charges for Title I and Head Start grant funded programs and Suncom Services are processed using either the APO system or a “W” purchase order.
- Repair/Maintenance agreement payments to JM Todd are processed by using either the automated APO or the manual W purchase order.
- Most of the dollars spent for postage are processed on either an L manual purchase order or on-line APO system. However, many locations are using only the W manual purchase order when they could be using the APO automated system.
- Electricity purchase orders are done on either the manual Z purchase order (for countywide expenses using general fund dollars) or the manual W purchase order (for migrant education using grant dollars).
- Library books and Furniture & Equipment for South Fort Myers High startup that were funded with Certificates of Participation 2004 were purchased using the manual W purchase order form.
- Library books and Audio Visual Equipment that are funded with Title I funds are purchased using the manual W purchase order form.
- Impact Fee dollars (Fund 399) use purchase orders created on either the automated APO or the manual W purchase order. All dollars spent were correctly coded to 6XX Capital Outlay type purchases.
- Land costs purchase orders are done on the automated APO system. However, some of the various survey and appraisal costs related to the land were done on either the APO or the W purchase orders.

As many of the above examples point out, the APO could have been used instead of a manual purchase order. The Budget Manual that was used as a reference during this audit states on page 33, “purchase orders should be done on the automated system. When unable to do an automated purchase order, the following will apply:....” and the Budget Manual goes into listing the steps in completing a “manual” purchase order. However, the Budget Manual does not provide an explanation of what categories fall into this exception. The large volume of “W” purchase orders generated by several

elementary and middle school locations indicate that training is needed for when to use specific purchase orders.

Recommendation: There are many opportunities to reduce the manual “W” purchase order processing inefficiencies by using the on-line APO system that was designed to streamline the purchasing process and increase efficiency. In order to streamline the purchasing process and increase efficiency, management needs to ensure employees better understand the purchasing process. The following are steps to achieve this goal.

- Clarify when the APO system should not be used. The Budget Manual needs to provide a clearer explanation of what categories are exceptions to using the APO system and which purchase order form should be used.
- Ensure all employees with accounting responsibility for initiating or approving purchase orders and approving or paying invoices have the proper training and a copy of the Budget Manual to use as a reference. A training session or District website tutorial should be developed that addresses the Uniform Chart of Accounts and the various purchase order forms available and when they should be used.
- Review the various types of manual purchase orders being used in lieu of the APO system and strive to reduce both the various types of manual purchase orders and the volume of manual purchase orders being used. A survey to users would be a first step to ascertain users’ purchasing needs and purchase process knowledge.

Response: *Accepted with implementation pending. The Financial Accounting Department district website will be updated to include information on the Florida mandated Uniform Chart of Accounts and a yearly district meeting to train/refresh bookkeepers will be scheduled.*

Per Robert M. George, Director of Procurement Services

Accepted with implementation pending. Thank you for the opportunity to respond on this issue. First, let me say I agree with your recommendations as stated. We have already had discussions with Mr. Legutko about creating a complete “Business Services Operational Manual”. As you mentioned training is the key element to correcting this issue. I personally believe that with the implementation of a new Financial Management Software system 90 % of the examples you gave for various PO types will all be consolidated into one single system. Additionally one of our department’s goals for 06/07 is to have all procurement policies and guidelines available on the District web page. We currently conduct onsite bookkeeper training but we want to do more refresher type sessions throughout the year and utilize the Learn Page as a resource for our customers.

CONCLUSION

The School Board Audit Office requested the Superintendent provide a response/action plan that addressed the audit observations and recommendations. The official responses have addressed each recommendation presented and specify whether the recommendation was:

- Accepted and implemented;
- Accepted with implementation pending;
- Under study; or
- Rejected with an explanation of why rejected.

The School Board Audit Office has accepted the Superintendent's responses/action plan with a condition that an audit follow-up would be conducted to ensure the action plan items have been fully implemented.

Furthermore, because the invoice payment data provided to complete this audit did not include the corresponding total purchase order amount, bid number, or purchase order date, the Audit Office is recommending a "Purchasing" audit be conducted to ascertain that established purchasing controls are effective in ensuring consistent compliance to State and District regulations (i.e. vendor setup procedures, compliance to bidding procedures and contract terms).

At this time, the School Board Audit Office would like to thank the District staff who gave their time, insight, and cooperation during the audit process to diligently address these audit issues in a timely and professional manner. In addition, the Financial Accounting Department should be commended for keeping organized payment records. All payment records requested during the audit were made available to the audit office in a very professional and timely manner.

APPENDIX A

DESCRIPTION OF PURCHASE ORDER TYPES

“B” automated purchase orders are generated on-line through the mainframe Textbook ordering system for adopted and non-adopted Instructional textbooks and materials. The textbook application uses two project codes: 5019 – Adopted and 5119 - Non-Adopted. Florida Statute 1006.40 requires the District to use no less than 50 percent of the annual allocation towards textbooks. As an added control, the District policy allows no less than 60 percent of the annual allocation to ensure the District stays in compliance to the statute. All these types of purchases require specific project codes in order to be monitored for compliance to Florida State Statute 1006.40.

“C” and “D” automated purchase orders are generated by on-line entry into the Automated Purchase Order (APO) system. Purchase orders are approved on-line by designated approvers as established by automated system controls. This has helped streamlined the purchasing process by reducing manual purchase orders. However, the APO system does have a limitation, it only allows up to two account lines to be encumbered for the particular purchase. Because of this limitation, a manual “W” purchase order will need to be used.

“F” manual purchase orders are created by the Finance Department assigning an open purchase order number, prefixed with an “F”, to each District location. This is done every fiscal period in order to pay food service bills for those specific sites in that fiscal period. Function code 7600 and fund 410 are required to be used for Food Services throughout the schools or function code 700 and fund 100 for Central Services (Administration Building Snack Bar). All food service purchase orders should be coded to either object code 510, 570, 571, 580, or 590.

“T” manual purchase orders are used to generate the “Teacher Lead” check. It is a stipend authorized by Florida State Statute 1012.71, “The Florida Teachers Lead Program Stipend”. Each teacher is required to sign a statement acknowledging receipt of the funds agreeing to keep receipts to show the expenditure of the funds used, and agreeing to return any unused funds to the district school board at the end of the school year for deposit into the School Advisory Council account of the school at which teacher was employed. A requirement of the statute is that the District provides the funds no later than September 30 of each year directly to each teacher as a stipend to purchase classroom materials and supplies to be used in the instruction of students assigned to the teacher.

L manual purchase orders are completed for purchases that need to be bought in a quick manner that are no more than \$150 and are to a local vendor. It is submitted to the Budget Department to be encumbered but not sent to the Procurement Department to be forwarded to the vendor. The employees usually take the purchase orders with them to pick up the items. The “L” purchase order is approved by the Principal /Director and must have the receipt attached before payment is made by the Financial Accounting Department. In addition, two or more “L” purchase orders may not be issued at the same time to the same vendor.

M manual purchase orders are completed for in-county travel (mileage, tolls and parking) reimbursements. Approval is by the employee's principal/department head and a mileage table is used to ensure consistency in calculating routine destinations. If in-county registration fees are paid, an approved leave request is also required. These purchase orders are sent to the Budget Department to be encumbered and then forwarded to the Accounting Department for payment.

Q automated purchase orders are completed by on-line computer entry via the Enterprise Asset Management system (**EAM**) and are a component of the EAM work order/inventory system used by the Maintenance Department. The Q purchase order captures the materials/parts cost associated with a work order generated through the District's on-line work order system. The data captured during the purchase order process provides the materials cost portion of the total work order cost. In addition to capturing the material costs related to work orders, the "Q" purchase order information is automatically fed to the District's perpetual inventory system (via the EAM) to track the purchases going into inventory stock and the usage of materials being expended from inventory stock.

T manual purchase orders are completed for either:

- Out-of-county travel reimbursements for mileage, meals, hotel, transportation, registration fees, tolls and/or parking; (All individual expenses greater than five dollars must be substantiated by a receipt.)
- Non-travel related dues and fees reimbursements; or
- Requesting payments for Professional and Technical Service agreements.

These purchase orders are sent to the Budget Department to be encumbered and then forwarded to the Accounting Department for payment. Receipts must be attached for reimbursements. An approved contract must be attached for Professional & Technical service payments.

U & X manual purchase orders are completed when requesting the Safe Driver Award checks to drivers in the departments of Transportation, Food Service, and District Warehouse. In addition, the Transportation Department uses the "U" purchase order for reimbursement requests for bus operators receiving any reimbursements for physicals, fingerprinting, and/or S endorsements to their CDLs.

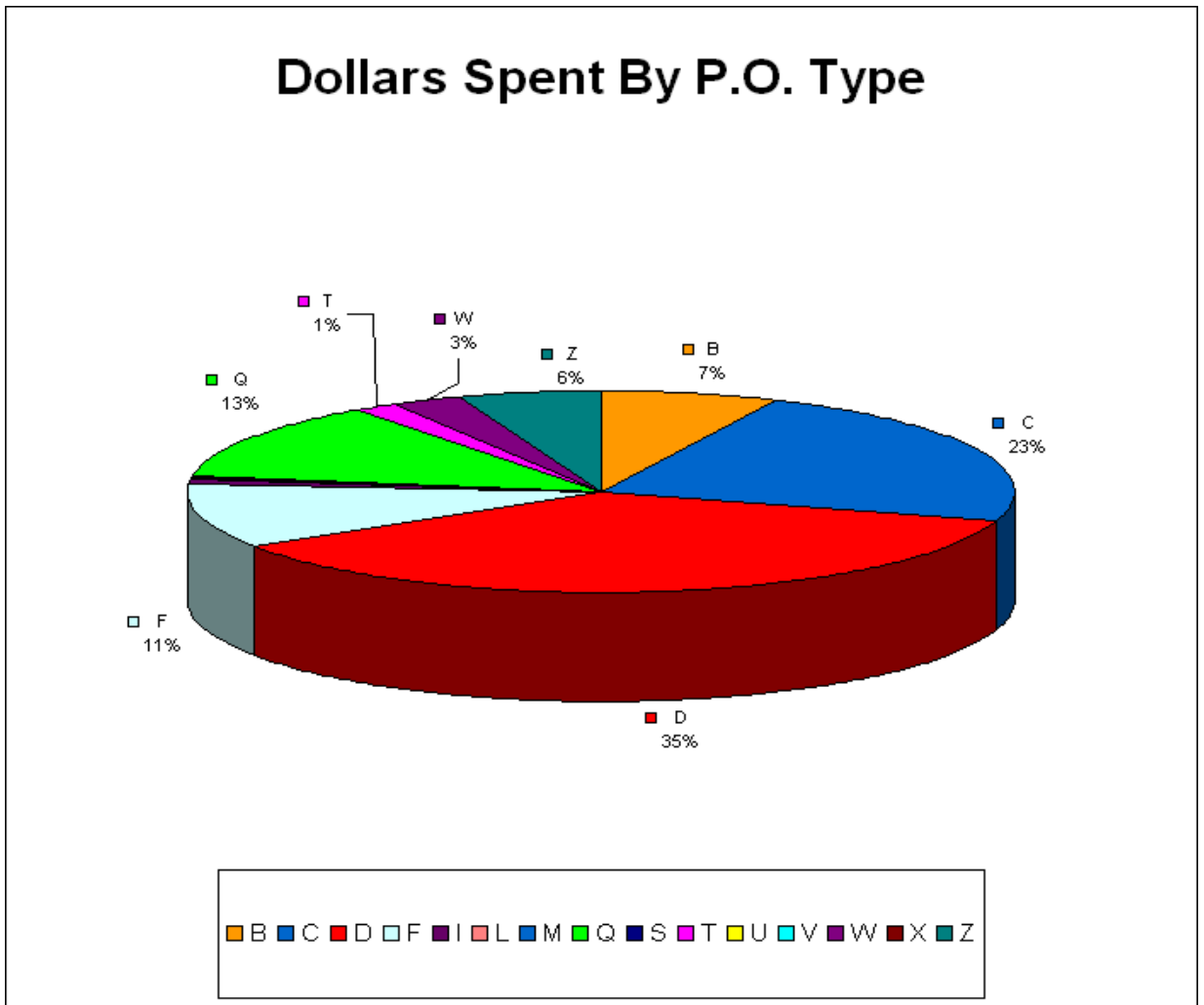
V manual purchase orders are completed for petty cash account reimbursements. The petty cash accounts are nominal amounts used to make change or reimburse for small expenses (stamps, tolls, parking). There is an established policy 4.411 and procedure for proper documentation and approval prior to payment.

W manual purchase orders are completed by numerous locations, some using the general funds and others using grant funds.

Z type purchase orders are to be used for expenses related to "Operation of Plant" countywide and include expenses for trash & recycle, roll-off rentals, water & sewer, stormwater, telephone service (landlines), electricity, and bottled gas. They are created by the Finance Department manually assigning an open blanket P.O. for each District location. This is done every fiscal period in order to pay incoming utility bills for those specific sites. These payments are funded with general fund dollars.

APPENDIX B

The following graph and tables are a summary of invoice dollars spent by PO type. The graph and tables are intended to provide an overview of how invoices less than \$25,000 relate to the different types of purchase orders designated by the District. As the graph and tables show, approximately 79% of the invoices in the scope of this review were generated from the 3 on-line purchase order systems (B, C, D, Q), with a majority (59%) of the purchase orders (C, D) generated through the on-line "APO" system.



Break out by Type of Purchase Order Alpha Order

	PO Type	Dollars Spent	# of Inv	% of \$\$	% of Inv
On-line Textbook	B	\$ 4,922,986.36	3039	6.93%	2.80%
On-line APO	C	\$ 16,250,476.60	17752	22.88%	16.37%
On-line APO (replaces C)	D	\$ 25,485,879.26	34325	35.89%	31.64%
Manual	F	\$ 7,460,130.77	24651	10.51%	22.73%
Manual	I	\$ 509,502.32	4239	0.72%	3.91%
Manual	L	\$ 203,912.67	3014	0.29%	2.78%
Manual	M	\$ 166,714.06	1861	0.23%	1.72%
On-line EAM	Q	\$ 8,939,882.55	8025	12.59%	7.39%
Manual	S	\$ 61,099.84	49	0.09%	.04%
Manual	T	\$ 1,021,468.63	1952	1.44%	1.80%
Manual	U	\$ 53,637.25	987	0.08%	.91%
Manual	V	\$ 98.86	14	0.00%	.01%
Manual (replaces S)	W	\$ 1,980,778.64	3090	2.79%	2.85%
Manual	X	\$ 825.00	11	0.00%	.01%
Manual	Z	\$ 3,956,843.74	5460	5.57%	5.04%
	TOTAL	\$ 71,014,236.55	108469	100.00%	100.00%

Purchase Order Type in Descending Dollar Order

	Dollars Spent	# of Inv	PO Type	% of \$	% of Inv	Cumulative % of \$\$\$
\$	25,485,879.26	34325	D	35.89%	31.64%	36%
\$	16,250,476.60	17752	C	22.88%	16.37%	59%
\$	8,939,882.55	8025	Q	12.59%	7.40%	71%
\$	7,460,130.77	24651	F	10.51%	22.73%	82%
\$	4,922,986.36	3039	B	6.93%	2.80%	89%
\$	3,956,843.74	5460	Z	5.57%	5.03%	94%
\$	1,980,778.64	3090	W	2.79%	2.85%	97%
\$	1,021,468.63	1952	T	1.44%	1.80%	99%
\$	509,502.32	4239	I	0.72%	3.91%	
\$	203,912.67	3014	L	0.29%	2.78%	
\$	166,714.06	1861	M	0.23%	1.72%	
\$	61,099.84	49	S	0.09%	0.05%	
\$	53,637.25	987	U	0.08%	0.91%	
\$	825.00	11	X	0.00%	0.01%	
\$	98.86	14	V	0.00%	0.01%	
TOTAL	\$ 71,014,236.55	108469		100.00%	100.00%	