

INFORMAL COMPLIANCE REVIEW

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Types of Audits

- **External** – looks at the money, material affect on financial statements
- **Internal** – protect entity from risks, reports to management
- **Self** – compliance, efficient, effective, internal improvement

Self-Audit - Purpose

Are We as Good as We Think We Are?

- ❑ Effective customer service
- ❑ Following our own processes
- ❑ Maximum efficiency
- ❑ Funds are properly spent or deposited
- ❑ Ethics are above reproach
- ❑ Compliance with State and Federal laws
- ❑ Prevent findings from those other auditors

Example Finding

These inadequacies make the entity vulnerable to experiencing instances of fraud, waste and/or misapplication of assets. Further, these deficiencies also mean that it would be difficult for the entity to detect instances of fraud, waste and/or misapplication of assets should they be occurring.

Self-Audit - Focus

- **Findings**
- **Improvement – Benchmarking**
- **Effective – Efficient**
- **Consistent**
- **Compliance**
- **Risk**

Self-Audit - Administrative

- **Purchasing Authority**
- **Expenditure Authority**
- **Bid Limits/Contract Caps**
- **Staff Training**
- **Mission and Vision Statement**
- **Code of Ethics**

Self-Audit - Procedural

Study and understand specific process or family of processes such as;

- Requisition process - required and received, vetted before processing**
- Physical list of expenditure authorizations**
- Legal - grants, statutes, local policy, T&C, contracts, funding out clause**
- Solicitation process**
- Internal controls**

Self-Audit - Decide and Determine Objectives

- **Department operations comply with written policy and procedure**
- **Expenditure properly authorized, budgeted and booked**
- **Fair, open, transparent solicitations in compliance with laws**
- **All Buyers follows processes consistently**
- **Separation of duties or compensating controls**
- **Develop checklists and/or flow charts**

Self-Audit - Plan

- **Define the scope of the review**
- **Assign responsibilities**
- **Study the process**
 - **Read, understand, map**
 - **Determine responsibility**
 - **Separation of duties**
 - **Identify risks**
 - **Opportunities for fraud or kick-backs**
 - **News worthy events**

Self-Audit - Plan

- **What equals compliance**
 - **Mandates**
- **What equals effective**
 - **Accomplished end result**
- **What equals efficient**
 - **Minimum of waste**
- **Sampling or 100%**
- **Establish growth benchmark**

Example

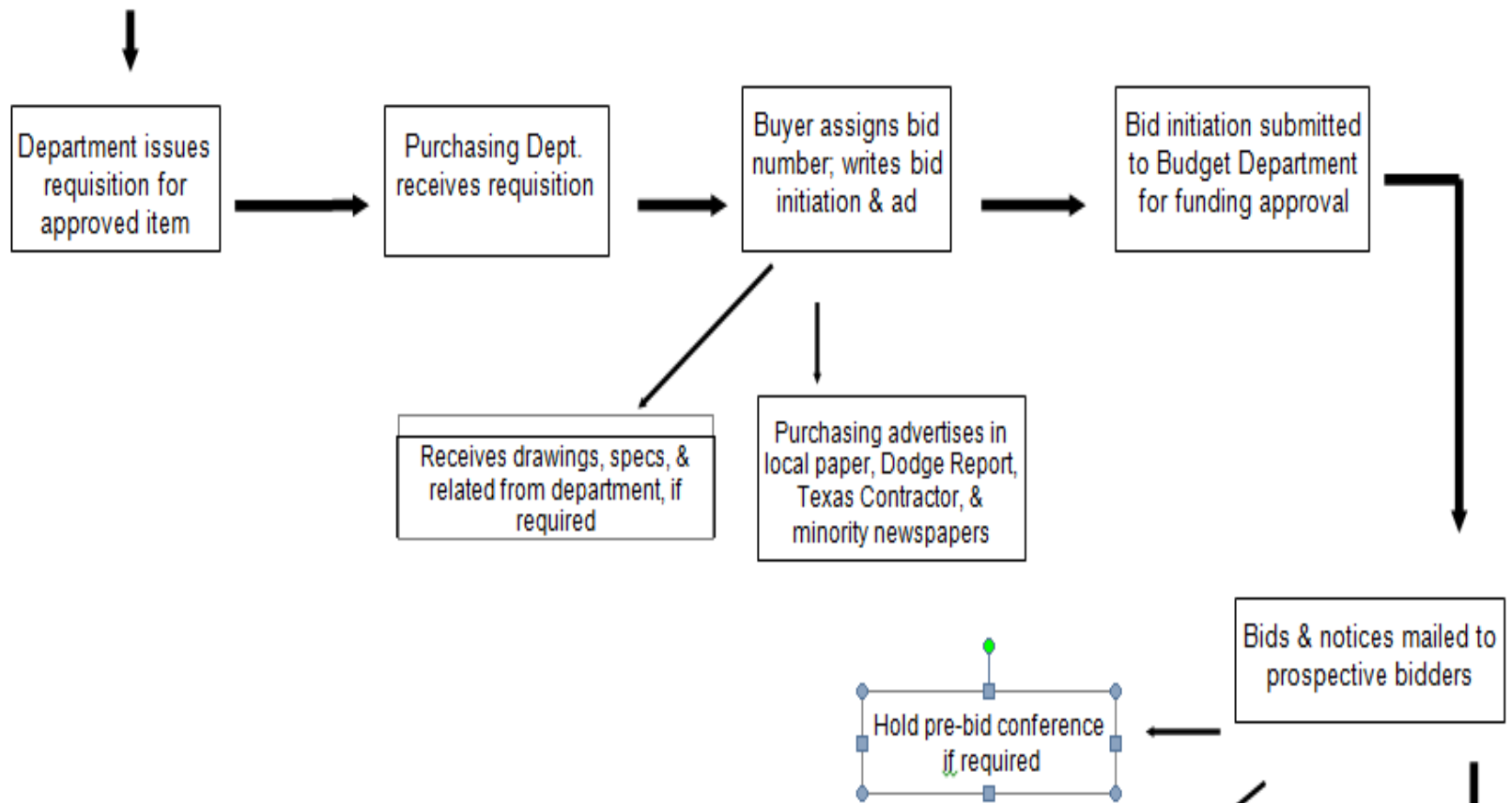
ISM Caps Research 2016

Criteria for Selecting Contracts to Audit

- **Contract Spend – 62%**
- **Type of Contract – 60%**
- **Total Spend with Supplier – 46%**
- **Risk Types – 42%**
- **Type of Supplier – 34%**
- **Department – 18%**

EXAMPLE #1

PURCHASING PROCESS FOR ITEMS OVER \$50,000



EXAMPLE #2

Bid Process Checklist

- **Pre-Bid**
- **During Bid**
- **Post Bid Opening**
- **Contract**

EXAMPLE #3

Closing Bid

- **Cut PO or BL**
- **Place PO# or BL# on FY bid list**
- **Record Savings**
- **Award in System**
- **Cancel Previous PO or BL**
- **Release Encumbered Funds**
- **Complete Document File Report**

EXAMPLE #4

Completed Bid Package

- **Filed with every completed package**
- **Details Bid # and Order #**
- **Date Issued**
- **Buyer**
- **Type of Purchase Order**
- **Document Order - Electronic and Paper**

Self-Audit Report

- Document Process
- Note exceptions, problems, errors
- Determine if error rate is acceptable
- Are errors across all Buyers
- Why were errors found
- Is more training required
- Can deficiencies be eliminated in-house
- Does there need to be recommendations of new directives
- Fill boss in on findings and corrective actions

Self-Audit Follow-Up

- **Create and comply with schedule to double check on fixes**
- **Were needed procedures written and distributed?**
- **Has required training been held?**
- **Where are you in movement toward your benchmark?**
- **Has any other areas been discovered?**

Self-Audits Prevent

- **Fraud**
- **Incomplete processes**
- **Headline News**

Constraints

- **Available Staff**
- **Time**
- **Manager/Management Support**

RESOURCES

- Comptroller Model Purchasing Manual
- TEA conference presentation
- City of Garland Internal Auditor
- Kanter Financial Forensics, LLC
- Cities of Dallas, Addison, Garland

THANK YOU

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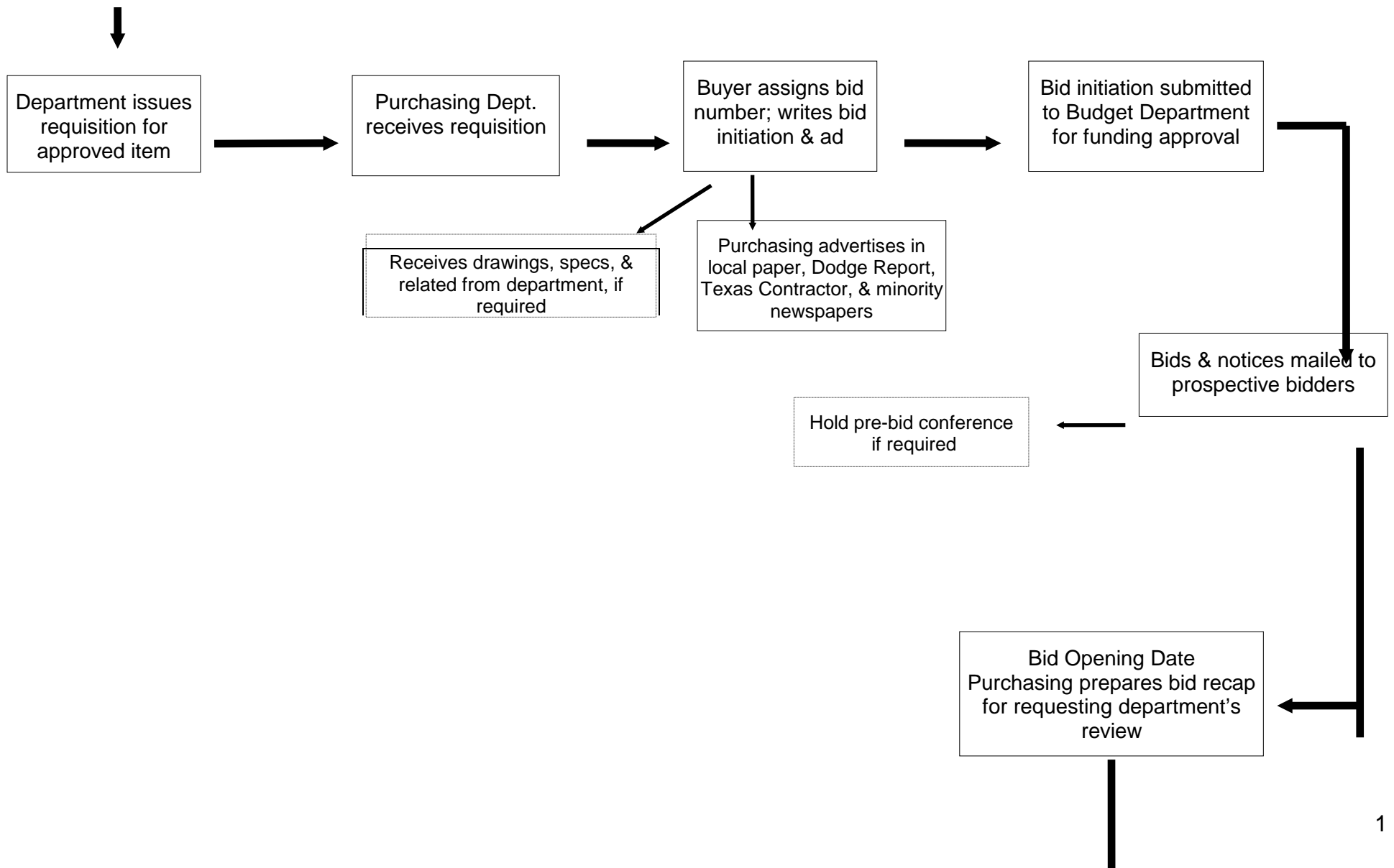
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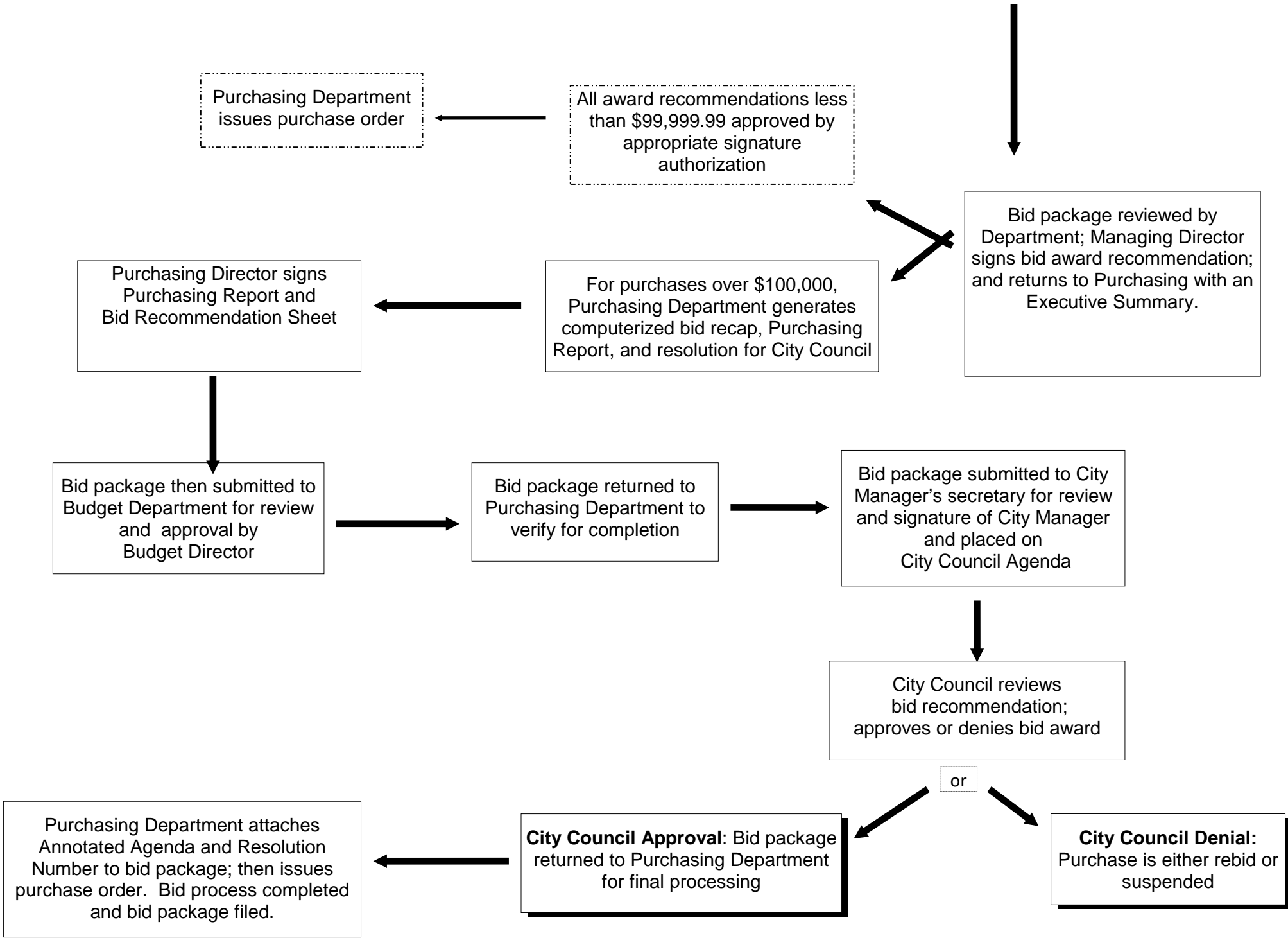


N&C Consulting
Government Procurement & Compliance

EXAMPLE #1

PURCHASING PROCESS FOR ITEMS OVER \$50,000





EXAMPLE #2 Self-Audit – Bid Process Checklist for Buyers

Bid # **Bid Name:**

PRE-BID

- Folder in R Drive with bid number and name
- Specifications
- Verification of HUBS search on CMBL
- Bid Packet from Bidsync
- Advertisement for Bid for Dallas Morning News

DURING BID

- Pre-Bid Attendance Sign In Sheet (if applicable)
- Pre-Bid Notes (if applicable)
- Addendums (if applicable)
- Proof of Advertisement (if applicable)

POST BID OPENING

- Bid Response Spreadsheet
- Bid Tabulation from Bidsync
- Copies of all submittals

CONTRACT

- Notice to Proceed (if applicable)
- Notice of Award (if applicable)
- Contract in Microsoft Word Form
- Signed contract in PDF Form

Additional Comments:

My signature below verifies that this bid has all applicable parts included in its folder that is located on the R Drive.

Signature: _____ Date: ____/____/____

EXAMPLE #3

Checklists for Closing Bid

- _____ Cut PO or BL
- _____ Place PO# or BL # on FY bid list
- _____ Record Savings
- _____ Award in System
- _____ Cancel Previous PO or BL
- _____ Release Encumbered Funds
- _____ Complete Document File Report

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EXAMPLE #4
COMPLETED BID PACKAGE ORDER OF DOCUMENTS

Bid # _____ **PO/BL #** _____ **Date Issued** _____ **Buyer** _____

Purchase Order Type

Inter-Local / Co-Op Dept's Bid Single/Sole Source Emergency Professional Services

DOCUMENTS

- Bid Recap or Electronic Bid Results sheets
- Signed Purchasing Report for Bid 100,000+
- Executive summary with supporting documents, 50,000+
- Signed Bid Award Recommendation for awards under 50,000
- Evaluation Summary (Best Value Criteria)
- Copy of PO with faxed or e-mail confirmation to vendor.
- Copy of original Requisition plus any revisions
- Copy of Emergency Certificate
- Copy of Single/Sole Source Form
- Copy of original bid with specs, addendums and department backup.
- Copy of HUB vendor search from State of Texas system showing those notified.
- Notice to Bidders/Newspaper Advertisement
- Copy of Bid Checklist
- Pre-Bid Sign-in sheet(s)
- Additional necessary related documents

PAPER BIDS ONLY WHEN APPLICABLE:

- Bid responses in same order as bid recap
- Copy of Late Bid Letters
- Additional necessary related documents

AWARDED IN:

- ELECTRONIC SYSTEM
- BID NUMBER LIST