

Bowling Green Audit Committee
Regular Meeting
January 14, 2013

The Bowling Green Audit Committee convened in a regular meeting at 3:30 p.m. on January 14, 2013 in the City Hall Commission Chamber. The meeting was called to order by Chairman David McKillip. Members of the Committee present were: Audit Professionals David McKillip and Cristi Pruitt, General Business members Scott Gary and Tony Witty, Commissioner Joe Denning and Ex-Officio member City Manager Kevin DeFebbo. Absent: none. Also present were Assistant City Manager/City Clerk Katie Schaller, Purchasing Agent Marilyn Parrigin, Internal Auditor Deborah Jenkins and Assistant City Clerk Ashley Jackson. There was a full quorum of the board present.

Approval of Minutes.

Chairman McKillip announced that the first item of business was to approve the minutes of the November 19, 2012 special meeting, which was mailed with the agenda to the members for their review prior to the meeting. Motion was made by Ms. Pruitt and seconded by Mr. Witty to accept the minutes as written. The minutes were approved as written by unanimous vote.

Present Purchasing Office Audit report.

Ms. Jenkins introduced Assistant City Manager/City Clerk Katie Schaller and Purchasing Agent Marilyn Parrigin, who were in attendance and available for questions during the review of the audit. She reviewed the background, objective, scope, criteria and approach, statement of standards and audit conclusion of the Purchasing Office Audit. The areas of observation and recommendation were as follows: **1)** Online bidder listing should be periodically advertised and maintained; the webpage should be updated timely and additional online services should be researched for additional convenience of bidders. It was reported that registered bidders were surveyed and the following comments or suggestions were recommended: update statues timely on the website, implement a plan holders listing for subcontractors, notify companies that have previously bid on a recurring bid that is out for bid again, follow-up with bidders when they are not selected and provide feedback especially if they were not considered due to a procedural error such as not including a bid bond, late arrival or an incomplete or missing required form, and evaluate the vendor codes to see if a different type of organization would be easier for vendors by separating professional services from materials and construction type work. Throughout discussions, it was proposed by Mr. Witty for the Purchasing Office to conduct an analysis of the current vendors and to also market businesses and provide information about the procurement process as new business or existing businesses visit the Business License Division for new or renewal of licenses. Furthermore, Ms. Pruitt stated that it would be her recommendation to include procurement activity on Facebook or Twitter and other use of social media as a source to reach out to potential bidders. The Purchasing Office agreed to research the suggestions. **2)** The Purchasing Office should monitor Citywide purchasing activity. It was recommended that the Purchasing Agent should take a more active role in monitoring and analyzing purchases citywide, including but not limited to the following: create and regularly review purchase order reports designed to detect policy violations, errors and/or fraudulent purchases as well as identify opportunities for improvement in efficiency and cost savings; and include reviews of all purchasing activity, regardless of payment method (direct payments and P-Card purchases). This will enable Purchasing to identify errors or irregularities that may go undetected without a broad citywide review; **3)** Each Sole Source purchase must contain proper justification, supporting documentation and appropriate approval signatures. The audit suggested that the sole source forms should be updated to include dollar amounts in which each approval signature must be obtained. All determined signatures must be obtained prior to approval to purchase and maintained in file. Supporting documentation from the department should

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be attached including purchase price for all sole source purchases. If an item does not comply with the justifications, it should be denied and the competitive bidding process should begin. Ongoing sole sources should be periodically reviewed to ensure purchases are still considered a sole source, and this review would be performed consistently and documented; 4) Non-Competitive purchases must be based only on the determinations provided in Kentucky Revised Statutes (KRS) and must be completed per requirements in City policy. Ms. Jenkins explained that her findings would include that all required signatures must be obtained prior to approval to purchase and maintained in the purchasing file. Supporting documentation from the department should also be attached including purchase price. If an item does not comply with approved non-competitive negotiations justifications, it should be denied and the competitive bidding process should begin. One number should be provided by the Purchasing Agent for each separate purchase. Multi-year contracts should be approved through the Board of Commissioners if the total contract amount is above the \$25,000 threshold in City policy; 5) Cooperative purchasing through Kentucky State Pricing Contracts or any other “local public agency” must be in compliance with KRS 45A.420 and City policy. The report indicated that the Purchasing Agent must verify that any non-competitive purchases that are approved by use of cooperative purchasing contains the correct State Pricing Contract with the item being purchased clearly identified in the supporting documentation. All State Pricing purchases must contain a copy of the current State contract that is being utilized within the supporting documentation, not just the contract number. Since all data is deleted from the State site after the contract expires. Purchases via use of cooperative purchasing with other local agencies should be approved by contracts originating with other local agencies within Kentucky who follow the Kentucky Model Procurement Code adopted by the City. This must be verified by the Purchasing Agent and signed off on by the City Attorney prior to the purchase. In addition, the Purchasing Agent should meet with the City Attorney to review requirements for local cooperative agreements to ensure that contracts are only approved with appropriate contracting agencies; and, 6) The Purchasing Agent should enforce both City and State procurement policies. Any purchases that do not have proper quotes or backup should have a justification memorandum. Items \$20,000 or above must follow Model Procurement Code and bid files should contain essential bid file items. The Internal Auditor’s recommendation was that the language in the Purchasing Policy should be reviewed and strengthened to remove any vague terms as the departments “will attempt to adhere” to stated quote levels. Proper approval signatures should be obtained and documented especially for items that require City Manager’s signature for administrative approval. Department justifications should be required as stated per policy when the recommended quotes are not obtained. Also, any agreements or contracts should be taken to the City Manager or Mayor for appropriate signatures. Internal procedures should be strengthened and training performed to enhance both departmental and citywide compliance with procurement policies. It was further recommended to encourage supporting documents to be electronically attached to purchase orders, and the supervisor of the Purchasing Agent, Assistant City Manager/City Clerk should periodically review larger purchase orders to ensure that the Purchase Agent is obtaining further approvals when required. Lastly, the bid file documents should be appropriately signed off on and placed in the bid file in a timely manner, and would allow review, open records requests or audits to be conducted in an efficient manner and ensure that essential forms are finalized per City policy.

Present 2012 Annual Report.

An Annual Report prepared by Ms. Jenkins was discussed and briefly summarized. The report provided the Internal Auditor’s activity summary for 2012. Ms. Jenkins explained that she had completed the Code Enforcement follow-up Audit, IT Security and General Controls Assessment (outsourced), Bowling Green Police Department follow-up Audit and Purchasing Office Audit. Ms. Jenkins stated that she was currently working on the Bowling Green Fire Department follow-up Audit, and also working with the City created Process Action Team (PAT) in an effort to find a more effective

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and accountable system for the City’s payroll timekeeping. Also, she explained that she had advisory services, special requests, training, administration and other miscellaneous tasks throughout the year.

Furthermore, she reported her yearly audit timesheet comparison schedule. The indirect audit time included holiday, vacation, sick time, personal time, employee appreciation, training, administration and other, for a total of 47%. The direct audit time included the audit plan, unannounced cash counts, audit follow-up, verification of narcotics disposal, advisory services and special requests, for a total of 53%.

In conclusion, Ms. Jenkins stated that she also provided the Committee with a copy of the memo related to the payroll system that was being reviewed. Also, a memo from Public Works Director Jeff Lashlee, related to the Fleet Audit, addressing the areas that the Fleet Division had improved upon since the audit was performed.

The next quarterly meeting is scheduled at 3:30 p.m. on April 8, 2013.

Ms. Jenkins announced the next quarterly meeting date.

Adjournment.

There being no other business to be conducted, at 5:00 p.m. Chairman McKillip declared the meeting adjourned.

Date Approved

David McKillip, Chair

Ashley Jackson, Assistant City Clerk