



## Douglas County Internal Audit

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June 26, 2015

Douglas County Board of Commissioners  
1819 Farnam Street, Suite LC2  
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,  
PJ Morgan and Chris Rodgers

Thomas F. Cavanaugh, Douglas County Clerk/Comptroller  
Eric Carlson, Purchasing Agent  
1819 Harney St., Room H08  
Omaha, NE 68183

Dear Commissioners, Mr. Cavanaugh and Mr. Carlson:

I have completed an audit of Douglas County disbursements processing. The purpose of the audit was to assess the adequacy and effectiveness of the control processes used to authorize and record cash payments to vendors. The audit revealed that controls were adequately designed and worked effectively for the recording and payment of invoices. However, an issue related to the design of the procedures used to issue purchases orders (POs) was noted. Details related to the issue appear in the body of the report below. The issue identified is a repeated finding from the three previous years.

### **Background**

As part of the fiscal year audit plan, Douglas County Internal Audit performs internal control testing for the Douglas County external audit firm, Hayes and Associates, LLC. The external auditor uses the test data provided by Internal Audit to formulate a professional opinion about the County's year-end financial statements. Below are the details related to tests of the controls for processing the County's cash disbursements.

### **Objectives**

The objectives of the audit were to determine that

- Requisitions, POs, and invoices are properly approved and supported and recorded completely and accurately.

- Payments are made to the appropriate vendors for all and only the goods and services received.
- Disbursements are properly calculated and recorded in the proper periods and accounts.

### **Scope and Methodology**

The audit included a review of forty randomly chosen invoices paid from July 1, 2014 through May 26, 2015. The sample was chosen from the Oracle Payments Register and included tests to verify that:

- POs are placed only for properly approved requisitions.
- POs are recorded accurately.
- Purchases are recorded in the appropriate accounts.
- Disbursements are made only for goods and services received.
- Disbursements are made to the appropriate vendor.
- Disbursements are recorded completely and accurately.
- Travel expenses policies are followed.
- The County takes advantage of all discounts and sales tax exemptions.

### **Findings**

Criteria: The following criteria relate to the issues outlined in the Condition section below:

- System transaction data should be accurate, useful, and readily obtainable.
- Processes should be designed to add value to the organization and be as efficient as possible.
- Only the Purchasing Department is authorized to purchase directly from a supplier on the open market.

Condition: Twenty-nine of the forty invoices sampled were paid using Direct Pay forms. The remaining eleven invoices were paid using a PO. Issues related to the invoices that were paid using POs per current policy follow:

- POs were issued after the invoice dates and receipt of the goods or services for three of the eleven invoices that required POs for payment according to current policy.
  - One was for media services for a Board of Health meeting (\$365).
  - The remaining two items were for laboratory supplies (\$190) and food for an event for which a charge account was used (\$21.19).

It was noted that this was an improvement over the prior years' results.

Effect: The conditions outlined above had the following effects:

- Although the amounts were minor, purchases were made that were not properly authorized beforehand by the Purchasing Department.
- Creating and approving POs that were not used to actually order goods or services created unnecessary work for the Purchasing Department and distorted information within the Oracle system.

Cause: Departments were following an unwritten policy that allowed for POs to be created after purchases were made. Over the past year Purchasing has systematically undertaken the steps to inform and train individual departments that past practices that violate Purchasing policy will no longer be tolerated. The exceptions above were departments that were still in the process of the training.

Recommendation: The following recommendations will provide better control of purchases and provide more accurate system information:

- The Purchasing Department and Douglas County Clerk/Comptroller personnel should continue to train the departments on the current policies and procedures to help ensure that POs are no longer created after the invoices are received.
- Expand the types of invoices that can be paid using Direct Pay forms.

Management Response: Management recognizes the findings are an improvement over the prior years' results but is not satisfied with these occurrences. In our on-going efforts to enforce the Purchasing policy, the Assistant Purchasing Agent Lisa Andersen, and staff continue to train all County staff, to further minimize the creation of POs after purchases are being made. We will also continue to utilize contract POs where feasible and expand Direct Pay categories where it is reasonable.

**Audit Standards**

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

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Internal Audit has reviewed this information with the Chief Deputy Douglas County Clerk and the County's Purchasing Agent. Internal Audit appreciates the excellent cooperation provided by management and staff. If you have any questions or wish to discuss the information presented in this report, please contact me at (402) 444-3576.

Sincerely,

Phil McHenry  
Staff Auditor

cc: Paul Tomoser  
Jude Lui  
Richard File  
Mike Dwornicki  
Patrick Bloomingdale  
Joe Lorenz  
Diane Carlson  
Kathleen Hall  
Jerry Prazan  
Sheri Larsen  
Frank Hayes  
Tumi Oluyole