

## **General Services Agency (GSA) Purchasing, Purchase Order Checks (POC)**

### REASON FOR INVESTIGATION

After reviewing the purchasing manual for County personnel, several unanswered questions precipitated this investigation.

### PROCEDURES FOLLOWED

- Interviewed the department heads of General Services Agency Purchasing, and Material Management.
- Reviewed the Purchasing Procedure Manual and Purchasing Guide for County employees.
- Toured the Purchasing Department facility.
- Obtained a Purchase Order Check (POC) for a purchase.

### FINDINGS

- The POC procedure was established by the County in the 1960's (over 35 years ago). The original limit on these checks was \$50 but the amount was raised to \$600 due to inflation. The annual amount issued by the County in POC's is over \$1 million dollars per year. POC's are used for unplanned/emergency purchases such as publications, lodging, and miscellaneous items.
- In some cases, the County issues blank purchase order checks (POC's) to vendors. The vendor is then authorized to fill out the amount of the check, not to exceed \$600.
- There are no regular audits of the POC's, however, if a vendor adds more than \$20.00 in freight charges it may trigger a review by GSA.
- POC's are obtained from the Purchasing Department. They are easily accessible to employees or visitors who have access to the department during the day. They are attached on the printer and not locked up until the end of the day.
- There are no individual trust accounts set up for departments. There are no procedures in place to monitor unplanned/emergency purchases. Currently emergency purchases are made on an I.O.U. basis between a County employee and vendor, and could allow for unauthorized purchases. Departments must obtain POC's through the Purchasing Department.

### RECOMMENDATIONS

The 1995/96 Ventura County Grand Jury recommends:

1. Vendors should **never** have the authority to fill in the amount of a County generated POC or any check.
2. Department trust accounts should be established for unplanned/emergency purchases, and one time purchases under \$600. The accounts should be maintained by each department and monitored by the County Controller's office. A "Request for Payment" (RFP) should be prepared by individual departments and audited by the County Controller's office to replenish their trust account.
3. Establish a written procedure for emergency purchases to prevent unauthorized purchases. Purchases should not be made without a valid purchase order number, sub-purchase order number or cash transaction number (trust account purchase). The receiving employees who receive the purchased merchandise should show identification (in cases, where purchases are picked up at the vendors), print their full name, identification number (employee or social security number), receiving date and their signatures on the receiving document.
4. Department personnel should have access at all times to a person who is authorized to dispense purchase order numbers or trust account checks.
5. POC's should be locked up until they are to be generated.
6. A security procedure must be established to protect against fraudulent use of the procurement cards when they become available.
7. A regular financial audit should be performed monthly on the POC account as long as this procedure is being used.

#### PROGRESS TO DATE

The GSA and the Auditor-Controller's office are now in the process of eliminating the POC procedure by obtaining procurement cards (credit cards) for travel by authorized County employees and are looking into other options for unplanned/emergency purchases.

#### RESPONSE REQUIRED

General Services Agency

Auditor-Controller