



**Audit Report**  
**Follow-up Procurement Audit**  
**Purchasing is a Function within the Finance Department**

**Background Information:**

This report (Audit #Follow-up 2023-2) is part of the 2023 City of Galveston Audit Plan mandating the City Auditor's performance of a Follow-Up City Procurement Audit and corresponding approvals by the Mayor and City Council of Galveston, Texas. City follow-up audits are subsequent to the implementation of The Financial Compliance and Policy Guidelines (F&CPG) Program introduced by the City Auditor's Office of Galveston, Texas. Audit #Follow-up 2023-2 is now complete utilizing the expertise of the City Purchasing Department and underwritten obligatory accountabilities for municipal procurement decreed by The State of Texas.

The International Standards for the Professional Practice of Internal Auditing states that the City Auditor establishes a follow-up process for monitoring municipal purchasing actions. This includes establishing an audit objective verifying the validity of all results. Management comments to the facts and results of this follow-up audit are presented at the end of this report.

**Audit Objectives:**

The audit objective for this follow-up audit and subsequent report is to communicate opportunities for improvements regarding the procedures of City procurement processes existing from previous audit discussions with the City Purchasing Department. These discussions involved identifying management courses of action and the appropriateness of those actions in addressing resolutions to improve City procurement practices. The performance of a follow-up audit engages the auditor to designate one of the following descriptions for each act of management and update the database accordingly:

- 1) **Implementation:** City staff now provides sufficient and appropriate evidence supporting all recommendation elements.
- 2) **In Progress:** City executive management is planning to begin or is already starting to implement recommendation elements comprehensively.
- 3) **Not Applicable:** Conducting procedures and controls are not applicable within the department, or evidential matter does not support the meaningful movement towards implementation and is no longer pertinent due to changes in procedures or technology.
- 4) **No Implementation:** Evidential matter does not support a meaningful movement towards implementation or is in progress, still lacking development. A new recommendation originating within the last three months will also receive a **No Implementation** designation.



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**Resources Necessary to Perform the Audit:**

Auditor Assigned: Carrie Sumrall, Assistant City Auditor

Reviewer: Glenn Bulgherini, City Auditor

Generally Accepted Government Auditing Standards (GAGAS), The Yellow Book, and International Standards for the Professional Practice of Internal Auditing.

The City Auditor's Office conducts:

- 1) Inquiries of Management and Staff.
- 2) On-Site Observations.
- 3) Other Tests Obtaining Authentication and Confirmation.

**Audit Results**

The results of this City Follow-up Procurement Audit are that the Purchasing Department performs an exceptional job monitoring procurement policies and procedures while ensuring accountability, transparency, and compliance with changing regulations. The Purchasing Manager updates the Procurement Manual several times annually to align with new government regulations. Information supporting these up-to-date audit result **Implementations** is below:

- 1) Staff accumulates documentation to provide reasonable assurance that the legal, appropriate, and most effective method of purchasing services and commodities for the City is undergoing.
- 2) Staff collects records to provide reasonable assurance that employees use these three factors for purchasing:
  1. Conforming to standards of ethical conduct, and
  2. Complying with all applicable laws, rules, and
  3. The Purchasing Department meets the needs regulations while ensuring that the method selected achieves the best value.
- 3) Staff attains exact purchase orders and obtains identifiable authorizations as well as equivalent terms and conditions.
- 4) Staff disperses and retains Conflict of Interest Forms for suitable employees.



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- 5) Staff uses a standard procurement file checklist and maintains files for all obligatory documentation and approver conditions such as requisitions, purchase orders, quotations, comparative bids, and notes.
- 6) Staff timely enters accurate documents into the City's shared drive before requisition submittal.
- 7) Staff details Sole Source Purchase information in accordance with applicable City, State, and Federal regulations.
- 8) Purchasing Department Staff undertakes appropriate action conveying to each designated departmental employee an understanding of City Procurement Policies and Procedures as necessary.
- 9) Staff furnishes a Solicitation Tabulation complete with pricing, scoring, and person's names scoring the vendor.
- 10) Staff reliably affixes confirmation of City advertisement procurement opportunities put on view in the Galveston Daily News and the City's website consistent with related law.
- 11) Staff depicts any and all communication in the files between City employees and vendors during the procurement process. This entails emails, letters, and notes from phone conversations.
- 12) Management and Staff periodically review procurement policies, procedures, and controls.

### **Additional Opportunities for Improvement**

The City Auditor's Office proposes establishing a training program for Municipal Procurement Training. An employee purchasing or managing employees that purchase for the City should receive training soon after their hire date. The employees should sign a form indicating receipt of the training. The training could serve as an annual refresher course encompassing new regulations and the training may be online or in person. The City Auditor's Office is available to offer guidance on this additional recommendation for improvement.



# City of Galveston

City Auditor's Office  
Audit #Follow-up 2023-2  
October 11, 2022

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**Management Comments:** The City Manager supports the efforts of the Auditor and has no questions or comments on this follow-up report.

Prepared by: Carrie Small Date: 11/22/2022

**The City Auditor's Verification of Auditor Assignments**

I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individuals have the skills necessary to perform their assigned roles in accordance with Generally Accepted Government Auditing Standards (Standards 4.02 & 4.03).

Approved By: Glenn Bulghina Date: 11/23/2022