



**CliftonLarsonAllen**

**PIMA COMMUNITY COLLEGE**

**INTERNAL CONTROL REVIEW REPORT  
PROCUREMENT & CONTRACTS  
JUNE 2021**

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## Executive Summary

CliftonLarsonAllen LLP (CLA) performed an internal control review of the procurement and contracting functions at Pima Community College (the College). The internal control risk assessment was driven by the commitment the Organization has to ensuring their internal processes and controls are designed appropriately and operating as intended.

Internal control review for the purchasing and contracting processes is necessary to ensure that the Organization's policies and procedures address all material aspects of purchasing and contracting as well as applicable laws and regulations. This review provides assurance that adequate documentation is properly maintained, that all established policies and procedures are adhered to, and control structures are in place and effective.

The recommendations resulting from the internal control review are an opportunity to identify additional internal controls that should be implemented and documentation that needs to be revised or developed.

## Objectives

The objectives of the internal control risk assessment of procurement and contracting are to provide an independent assessment and assurance to the Internal Audit Committee and management that:

- 1) The internal control framework that supports procurement and contracting activities is appropriate, complete and effective.
- 2) Procurement and contracting activities comply with applicable policies, procedures, laws and regulations

## Scope

The scope of the internal control review included a review and evaluation of key controls and procedures over the College's procurement and contracting functions. The procedures were performed using a risk-based approach. The scope was specifically geared to identify internal controls implemented by management to ensure legal compliance, segregation of duties and integrity of transactions.

Additionally, the review included an evaluation of key controls over vendor maintenance. Vendor maintenance is an area of higher inherent risk particularly during the disruption produced by the recent health care pandemic.

## Sampling Methodology

Our sample of twelve contracts was haphazardly selected from the population of 47 contracts from July 1, 2019 to June 30, 2020. The following reports were used in sample selection:

- Purchase Order Register
- Signed Contracts Listing

The American Institute of Certified Public Accountants (AICPA) sampling guidance was followed in selecting this sample. The AICPA requires a sample size ranging from 5-9 for population sizes of 52 in

order to conclude on the effectiveness of internal controls and compliance. The 12 contracts selected exceeds that requirement.

## Selections

The following are the contracts tested.

<b>Vendor Name</b>	<b>Amount</b>
Advanced Technologies Consultants	\$515,020.00
Barker Contracting, Inc	\$13,094,769.00
Blackboard Inc.	\$581,597.00
Chasse Building Team Inc	\$12,308,024.81
Dell Marketing LP	\$1,141,350.00
Gordley Design Group Inc	\$894,080.42
Insight Public Sector Inc	\$691,832.53
Kittle Design And Construction LLC	\$791,789.00
Lloyd Construction Company, Inc.	\$999,855.66
Olympus Building Services, Inc.	\$1,880,000.00
Southwest Hazard Control Inc	\$512,970.00
SSVT Motors Inc	\$253,784.62

## Approach

We compared College policies and procedures to key leading industry practices to identify control breakdowns. Qualitative and quantitative support was considered for the observations to develop value-add recommendations. The recommendations are meant to mitigate the risk associated with observations identified.

## Conclusion

Overall, we noted that individuals were very knowledgeable of the processes, policies and procedures in which they are responsible and were able to provide the information needed to complete our internal control review procedures in a timely and efficient manner. The documentation received for testing was well organized and easily obtained.

## Summary of Procedures and Recommendations

### 1) **Administrative Policies**

#### Procedures:

We obtained copy of laws, regulations and administrative policies and compared to process narratives, quick guides and manuals related to purchasing and contracting to verify the legal requirements were included and compared the District's internal controls and policies to industry standard control activities. Following is a listing of the manuals and policies reviewed:

- Procurement, Purchasing, and Acquisition Procedures Manual (July 1, 2018)
- Signature Authority Administrative Procedure AP 1.05.02
- Purchasing Policy Designation Administrative Procedure AP 4.01.05
- Contracts Administrative Procedure AP 4.01.03

- Submitting Requests for Contract Purchases Memo
- Centralized Procurement Services – Procedure Memo
- Purchasing Process Consideration and Expectations Memo

Findings:

No exceptions were noted

**2) Compliance with Administrative Policies and Legal Requirements**

Procedures:

We reviewed a sample of transactions for twelve contracts over \$250,000 for policy and internal control compliance. We verified the selected contracts received the appropriate approvals (including from Governance), followed the required competitive bid process, and included the terms and conditions required by the Arizona State Law.

Findings:

No exceptions were noted

**3) User Access Rights and Segregation of Duties**

Procedures:

We reviewed system access privileges to the procurement IT system to initiate, approve and release purchase order requests. We evaluated the adequacy of segregation of duties in this environment to ensure no user can perform all control points of the purchase order process.

Findings:

No exceptions were noted

**4) Vendor Maintenance**

Procedures:

We obtained the master vendor list and compared to employee listings to determine if there are inappropriate payments.

Findings:

No exceptions were noted.

Recommendations:

We noticed that a rather large vendor list exists and some of the duplicate and inactive vendors. We recommend that the vendor lists be reviewed periodically to remove inactive and duplicate vendors. This will assist with keeping the listing current and reduce the risk of fraud from potentially paying a vendor that has gone out of business.

Management's Response:

*The Governing Board at its March 10, 2021 meeting approved a contract amendment with the College's ERP service provider (Banner Ellucian) to add e-Invoice and e-Procurement solutions that leverage the use of financial and compliance best practices to enhance the College's Procurement and Accounts Payable services. Technical and configuration work is in progress for e-Invoice. System design, testing,*

*implementation and training to follow with a "go-live" target date in November/December 2021. Project kick-off for e-Procurement took place in mid-June 2021. Project timeline for e-Procurement to be determined pending staffing resources evaluation to implement in overlap with e-Invoice project or following e-Invoice project. Noted as an item for review with the Ellucian, e-Invoice, and e-Procurement system consultants will be vendor file maintenance with specific focus as to how inactive and duplicate vendors are addressed/removed so as to not corrupt Banner ERP parent-child record integrity associations or history.*

**Target Date of Implementation:**

*November/December 2021 if implementation of e-Procurement project overlaps with implementation of e-Invoice project. June/July 2022 if e-Procurement project implementation follows e-Invoice project.*