Agenda Item No. 1(I)(1)
May 21, 2024

OFFICE OF THE COMMISSION AUDITOR

MEMORANDUM

TO: Honorable Chairman Oliver G. Gilbert, III
and Members, Board of County Commissioners

FROM: Adeyinka Majekodunmi, CPA
Commission Auditor

DATE: April 15, 2024

SUBJECT: **Miami-Dade County Office Supplies Report**

Pursuant to Resolution No. R-657-22, adopted on July 7, 2022, by the Board of County Commissioners (BCC) and Prime sponsored by Commissioner Raquel A. Regalado, District 7, and Senator René Garcia, District 13, The Office of the Commission Auditor (OCA), was instructed to assess the financial impact of the County's office supplies purchasing pool established by Resolution No. R-198-22.

This report also includes documented OCA observations related to operational opportunities that will need to be addressed in order to establish an efficient and effective process that covers the order fulfillment lifecycle for the County's office supplies operation.

The report will be placed on the next available BCC meeting agenda. Should you have any questions or need additional information, please contact me at (305) 375-4354.

cc: Honorable Mayor Daniella Levine Cava
Honorable Juan Fernandez-Barquin, Clerk of the Court and Comptroller
Office of the Mayor Senior Staff
Geri Bonzon-Keenan, County Attorney
Gerald K. Sanchez, First Assistant County Attorney
Jess McCarty, Executive Assistant County Attorney
Felix Jimenez, Inspector General, Office of the Inspector General
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OFFICE OF THE
COMMISSION AUDITOR

Miami-Dade County Office Supplies Report

MDC002

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The Office of the Commission Auditor

The Office of the Commission Auditor was established in 2002 by the voters of Miami-Dade County after their approval of the Home Rule Charter Amendment to create the position of Commission Auditor to provide independent financial, legislative, research analyses and audits to assist the Board of County Commissioners' decision-making process by helping to ensure governmental accountability, transparency, and the best use of public resources. The Commission Auditor's duties include reporting to the Board of County Commissioners on the fiscal operations of County departments, as well as whether the fiscal and legislative policy directions of the Commission are being efficiently and effectively implemented.

This report, prepared in collaboration with the Miami-Dade County departments as subject matter experts, is substantially less detailed in scope than an audit in accordance with the Generally Accepted Auditing Standards (GAAS). The OCA plans and performs the review to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on its objectives; accordingly, the OCA does not express an opinion on the data gathered by the subject matter expert(s).

On April 29, 2024, this report was revised to remove Table 7, *SBD Monitoring of Companies Verification Dates*, and accompanying text after OCA reviewed the supporting documentation provided by the Office of Small Business Development (SBD). OCA concluded that the original assertion was not supported by sufficient evidence from the Department.

OFFICE OF THE
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REPORT OBSERVATION SUMMARY

This summary encompasses some of the core observations detailed in the OCA Office Supplies Report requested through Resolution R-657-22.

1. Improper Methodology in the Administration's Report

OCA recommends that the BCC limit its reliance on the top 100 analyses included in the reports presented to the Board by the Administration on November 10, 2022, and May 22, 2023. Specifically, the methodology used was based on "order frequency" to arrive at the top 100 items instead of the "price" and "quantity ordered." Additionally, the report did not disclose the overhead cost of the ISD office supply operation (approx. $950,000 in FY 2023).

OCA also noted that different product specifications (e.g., brand name, design, dimensions, materials, and package quantities) were used that may artificially present a favorable performance of the County's pool contract. We cited an example where the price of an item, a 1.41-ounce Ross brand glue stick ($0.95), was compared to a 4-ounce liquid bottle of all-purpose Elmer's glue ($1.44) even though the item in the Office Depot City of Tamarac contract was over three times the size (in ounces) and consequently lower in cost per ounce.

2. Improper Local Preference Awarded

OCA noted multiple examples where vendors were improperly given Local Business preferences in the Bid Manual Tally even though the vendor was not a prequalified Local vendor at the time of the bid and should not have received the Local Business adjustment as it would present an unfair advantage over the other vendors competing in that bid. Section 2-8.5 of the Code of Miami-Dade County states that a local business is a business located within the limits of Miami-Dade County that has a valid Local Business Tax Receipt issued by Miami-Dade County at least one year prior to bid submission.

3. Price Mark-up to Departments

OCA noted that County Departments are subject to an 11% mark-up on stock items and a higher mark-up of 20% for non-stock items when ordering through the ISD Office Supplies operation. The revenue generated from mark-ups is used to fund the costs of the Office Supplies operation, which includes personnel and overhead.

4. Net Losses in ISD's Office Supplies Operation

Based on the OCA financial estimates, it was noted that the ISD Office Supplies Section does not generate enough revenue to cover its operational expenses, including the personnel costs of seven (7) employees. The analysis shows an estimated net loss for fiscal years 2021, 2022, and 2023, respectively, considering revenue generated from the mark-up of 11% and 20%. Additionally, OCA

identified that the Office Supplies Section's reported expenses did not include rent for the facilities (e.g., warehouse, offices) used for the Office Supplies operation, which understates the overhead cost of those facilities.

5. Improper Vendor Bid Outreach and Award

OCA noted that during our review of the vendor bid outreach communication, we observed that an email from ISD included some vendors that were not prequalified for the Office Supplies pool contract (RTQ-02016) but were improperly welcomed to bid and considered during the award process when they should have been ineligible to compete.

The result of the aforementioned oversight was evident in an example where a vendor not certified as a small or local business, and only prequalified for Group 2 (Federal funds), held the highest total purchase order value among vendors, even though the vendor should have only been contracted for purchases funded by Federal funds.

6. Improper Price Increase Post Award

OCA noted an example in one of the bids reviewed, where a vendor that was deemed as the lowest responsive bidder and awarded the line item was subsequently allowed to increase the price of the awarded item by 63%. Deviating from advertised and awarded terms is typically considered a material deviation from procurement standards per SPD's Procurement Guidance Document and Best Practices Manual, Section 1.18. The presumption is that if other respondents (vendor/bidder) had known of the potential for these changes in advance, they may have bid differently and more competitively.

7. Non-Compliance with Retention Policy

OCA requested historical cost information for vendor purchases from ISD and ITD to analyze the changes in the historical cost of inventory items and the actual mark-ups charged to Departments in past fiscal years. ITD confirmed that ISD made a business decision not to maintain or store historical cost data on vendor purchases in the AS400 system; there was no documented request for this system configuration. As such, the County will not be able to assess the historical cost of inventory items and also will not be able to confirm the exact mark-up charged to County Departments in prior fiscal periods.

8. Inventory Management Internal Control Deficiencies

OCA noted that several aspects of the inventory cycle lacked the appropriate controls and oversight. For example, during OCA's site visits to the ISD Warehouse, we observed that some inventory items were not correctly tracked or stored. Additionally, records of inventory counts were not formal while the inventory system (AS400) allowed staff to make adjustments to the inventory without documentation, justification, or management approval. The noted lack of appropriate controls and oversight exposes the County to order delays, expired inventory items, and inventory shrinkage.

9. Process Procedures and Oversight

OCA inquired about the internal procedures for managing and monitoring the inventory cycle and Office Supplies contract. It was noted that the absence of a centralized system, limited tracking of the

contract usage, poor financial management of the Office Supplies operations, limited written procedures, improper storage or retention of documents or data, and poor segregation of duties contributed to the inefficiencies and increased the material risk of loss within the ISD supplies operation.

MIAMI-DADE COUNTY OFFICE SUPPLIES REPORT

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I. INTRODUCTION

A. PURPOSE

Pursuant to Resolution No. R-657-22, adopted on July 7, 2022, by the Board of County Commissioners (BCC) and Prime sponsored by Commissioner Raquel A. Regalado, District 7, and Senator René Garcia, District 13, the Office of the Commission Auditor (OCA), was instructed to assess the financial impact of the prequalification pool for County office supplies established by Resolution No. R-198-22 including, but not limited to, whether purchasing these supplies through this program will result in price "mark-ups" or that local firms are offering local employment opportunities and locally warehousing of supplies.

B. SCOPE

The OCA's scope of research for this report encompasses the following:

1. Review information provided in the Administration's Report on Establishing a Prequalification Pool for the Purchase of Office Supplies (Directive No. 213112) dated November 10, 2022, and May 22, 2023
2. Assess the financial impact of the office supply purchasing pool contract
3. Review of policy and procedures for procuring office supplies
4. Review of the systems utilized in managing the County's procurement of office supplies
5. Research the legislative history of the County's office supply contracts
6. Analyze financial records and procurement documents related to office supplies
7. Assess the allocation and vendor utilization of prequalification pool *RTQ-02016* for office supplies
8. Conduct site visits of the supplies Warehouse and County store

C. METHODOLOGY

OCA conducted quantitative analysis and qualitative research of the County's office supplies contract and the operating areas that manage the cycle. The qualitative research conducted for this report includes: 1) reviewing adopted legislation and amendments set forth in the County's legislative history and requirements of various legislations; 2) consulting the County Code; 3) examining the various types of Office Supplies pool contracts and transactions; 4) assessing the applicability of Local Business preferences and Small Business Enterprise measures; 5) risk assessment of the process used in ordering, purchasing, storing (inventory) and disposing of supplies; 6) performing analyses on financial data to assess the revenue and expenses in the Materials Management operations, and testing for completeness and accuracy.

The methodology applied also examined the Office Supplies ordering process and the systems used during the past three fiscal years. Selected County Departments, such as Internal Services Department (ISD), Office of Small Business Development (SBD), Strategic Procurement Department (SPD), Finance Department (Finance), and the Information Technology Department (ITD), served as subject matter experts due to their various responsibilities during the supplies contract management and purchasing

lifecycle. They provided supplemental information on the internal process, including historical and procedural context.

OCA assessed County systems such as the Office Supplies Ordering and Sales System (AS400 - Legacy System), the ISD SQL Report Manager, and the County's systems of record – Financial Accounting & Management Information System (FAMIS) and Integrated Financial Resources Management System (INFORMS) to access data and documents. OCA reviewed legislative items and procurement documents, including the Mayor's Memorandums and financial records, to understand the historical context and current procedures related to the County's Office Supplies operation.

The quantitative analysis and approach utilized for this report and the financial tables presented on the contract allocations, cost, revenues, and approved vendors included the assessment of millions of records from INFORMS, over 70,000 records from AS400, and 3 boxes of documents. As part of its quality assurance process, OCA verified and crossed referenced the AS400 purchasing records with over thousands of records from INFORMS, thousands of records from the Internal Services Department Materials Management Division's database, in addition to other available systems and publications, reconciling any anomalies.

This information has been compiled on a fiscal and calendar year basis using data provided by the Department and other independently sourced data from the system of record. Fiscal year data has been identified as FY (i.e., FY 2020), whereas calendar year has been identified with the corresponding year without prefix (i.e., 2020). Moreover, OCA adhered to best practices for managing County data, ensuring proper data security and privacy.

D. BACKGROUND

As of October 3, 2023, Miami-Dade County had an estimated 238 active Goods and Services pools with a combined contract value of approximately $4,291,000,000.[1] In this report, we focus on *RTQ-02016*, Office Supplies, a Goods and Services prequalification pool valued at approximately $12,787,000. It is important to note that the County can purchase Office Supplies through other contracts and channels beyond the prequalification pool *RTQ-02016*.

In 2022, the County's Office Supplies pool contract *RTQ-02016* was approved by the Board of County Commissioners (BCC) to replace the previously accessed City of Tamarac Office Supplies contract (*19-12R*) awarded to Office Depot, Inc. Some of the goals of the new office supplies pool were to streamline the management of purchasing supplies, increase local business participation, and give opportunities to small businesses.

As of January 10, 2024, the County executed purchase orders totaling $3,693,861 from this pool contract.[2]

[1] Information provided by SPD in response to an OCA Notice of Inquiry on October 18, 2023, and the Integrated Financial Resources Management System, Supplier Portal, View Awarded Contracts. Accessed October 3, 2023.
[2] Integrated Financial Resources Management. Accessed January 10, 2024.

Table 1 provides a summary of the awarded terms of office supplies agreements and the allocations at the time of award.

Table 1: Summary of Office Supplies Agreements

Contract Description and No.	Office Supplies (Existing Pool) RTQ-02016	Office Supplies, Products, and Related Services 19-12R	Office Supplies 6712-5/15
Contract Type	Prequalification Pool	Access contract	Prequalification Pool
Vendor	Open Pool	Office Depot, Inc.	Open Pool
Effective Date	March 14, 2022	March 1, 2020	February 1, 2006
Expiration Date	March 31, 2027	May 6, 2022	January 31, 2021
Award Approval	March 1, 2022 Resolution No. R-198-22	February 10, 2020 (Mayor's delegated authority)	January 24, 2006 Resolution No. R-68-06
Awarded Term	5-year term	Effective date through October 13, 2023	5-year term with five 1-year OTRs
Award Allocation	$12,787,960	$1,000,000	$15,000,000

Source: *Miami-Dade County BID Tracking System*

E. DATA LIMITATIONS

During the research, OCA identified several data limitations that impacted the overall data integrity of the Office Supplies operations and purchasing process, thus any reporting on the subject. Three key limitations are outlined below:

1. **Manual Data Entry:** The current process is significantly reliant on manual entry of orders, vendor information, and contract sources, which reduces data accuracy and integrity since they limit source data access and are also susceptible to human error, including typos and incorrect data input when there are no detective controls in place.

2. **Non-Integrated Systems:** Different disparate systems are used to manage the Office Supplies operation. Specifically, the ordering system (AS400) operates independently from the County's financial system of record, INFORMS. This lack of integration between AS400 and INFORMS presents challenges in consolidating, tracing, and analyzing data.

3. **Paper Filing System:** ISD utilizes a paper filing system to manage bids, purchase orders, and the transfer of items to the County Store. This paper filing method has resulted in over 30 boxes of files stored on the second floor of the ISD Office Supplies Warehouse (Warehouse).[3] As a result, the department was unable to locate several critical records during this engagement, including information related to vendors and contracts for purchases. Consequently, the physical storage practice and absence of electronic files impede the efficient retrieval and management of information.

[3] OCA site visit to ISD Office Supplies Warehouse on February 14, 2024.

II. OCA'S ANALYSIS OF THE ADMINISTRATION'S REPORTS (DIRECTIVE NO. 213112)

The Administration prepared reports in response to Directive No. 213112, approved by the Board of County Commissioners (BCC) during the BCC meeting to establish a Prequalification Pool for the Purchase of office supplies for ISD, and adopted on March 1, 2022. During that meeting, the Board requested that the Administration perform a fiscal analysis of the inventory and office supplies purchased by ISD under the prequalification pool *RTQ-02016* for Groups 1 and 2. The report was to be provided to the Board in six (6) month intervals. In response to the directive, the following two reports have been presented to the Board:

1. The November 10, 2022 Report on Establishing a Prequalification Pool for the Purchase of Office Supplies - Directive No. 213112 presented at the December 6, 2022 BCC meeting, Agenda Item No. 2 (B)(3)

2. The May 22, 2023 Report on Establishing a Prequalification Pool for the Purchase of Office Supplies - Directive No. 213112 presented at the September 6, 2023 BCC meeting, Agenda Item No. 2 (B)(6)

The OCA analyzed the information provided in the two reports and identified the following areas of concern and errors:

Improper Methodology Used for Fiscal Analysis

To understand the irregular parameters used to generate the reports submitted by the Administration, OCA contacted the Information Technology Department (ITD) to confirm that they generated reports containing the frequency of the top 100 stock items ordered by Departments rather than the number of items sold by ISD to Departments.[4]

ISD staff further explained that they compared the top 100 stock items to the costs of the same items in the City of Tamarac contract *19-12R* (Office Depot Office Supplies contract) to determine the fiscal impact of pool *RTQ-02016*.[5] After OCA completed its analysis on the reports submitted to the BCC, we concluded that the reliance on these reports should be limited based on the following observations:

1. **Incorrect Fiscal Impact:** ISD's analyses used the "frequency of orders" for individual items by Departments to arrive at the top 100 stock items instead of the total dollar value of items purchased. Order frequency only considers the number of times Departments placed orders for a specific item and does not consider the associated quantity ordered or the unit cost.

   Additionally, OCA observed that the Administration did not consider returns, cancellations, or duplicate transactions for the selected stock items, which might have inadvertently inflated the order frequency of certain items and led to their inclusion in the submitted reports.[6] Moreover, OCA observed that the Administration may have used transactions in the reports that were

[4] TEAMS meeting conducted with ITD on January 12, 2024, TEAMS meeting conducted with ISD on February 9, 2024, and email correspondence from ITD received on March 8, 2024.
[5] ISD's January 30, 2024, response to OCA's Notice of Inquiry.
[6] TEAMS meeting conducted with ITD on January 12, 2024.

unrelated to the Office Supplies prequalification pool *RTQ-02016*, as ISD does not update and retain contract information on purchases in AS400.

Moreover, OCA observed that "estimated quantities" were included in the submitted reports instead of actuals or verifiable projections. OCA inquired about the rationale for including "estimated quantities," and ISD stated that they do not recall the origin of the numbers that they provided in the estimated quantities column.[7]

To review the accuracy of the reports submitted by the Administration, OCA analyzed AS400 purchases by County Departments during the same period and arrived at a different set of top 100 stock items with a higher financial impact. Refer to ***Figure 1***, which shows items that OCA identified with a larger financial impact to the County, that were not included in the report.

Figure 1: OCA identified items with a larger financial impact to the County

ITEM #	ITEM	AMOUNT
E-523	Envelopes, brown kraft,9"x12",notch out on face, left side, 1-3/4"x 3-5/8"	$ 57,047
M-207	TOILET TISSUE JUNIOR JUMBO ROLL, 2 PLY 4"X1000' ATLAS PAPER #700	$ 86,581
X-281	TONER LASERJET HP 400/M400 SERIES PRINTER #CF280A	$ 131,936
X-408	LASERJET TONER HP 300/400/375NW-DN/451NW -DN/475NW-DN PRINTER #CE412A YELLOW	$ 76,301
Y-4383	Diary, Daily Reminder, 7-11/16" x 12-1/8 ruled page,red hardback cover(SD376-13)	$ 48,332

Source: *AS400*

2. **Incorrect Product Comparison:** OCA observed differences in product specifications that would incorrectly reflect savings to the County. These differences included brand name, design, dimensions, materials, and package quantities between the items purchased from *RTQ-02016* and the comparable Office Depot City of Tamarac contract items selected by ISD.

   i. ISD chose to avoid comparing certain items they believed lacked comparable matches to the Office Depot City of Tamarac contract. However, OCA noted an example where one of the excluded items did indeed have a corresponding comparable, which impacted the conclusions related to the cost savings. For example, item C-659, Purell Hand Sanitizer 4 oz. bottle, the Unit of Measure (UOM) was "each," while the Office Depot City of Tamarac's comparable item (SKU number GOJ9651) had a UOM of "24 count" (refer to ***Figure 2*** and ***Figure 3***). OCA highlighted that this comparison could have yielded cost savings for the County, as ISD's price was $2.99, whereas Office Depot City of Tamarac's price would have been $1.99. It is important to emphasize that the amount shown of $47.81 is for a pack of 24 units under the previous Office Depot City of Tamarac contract while the price of $2.99 is for one (1) unit under the new County's Office Supplies contract.

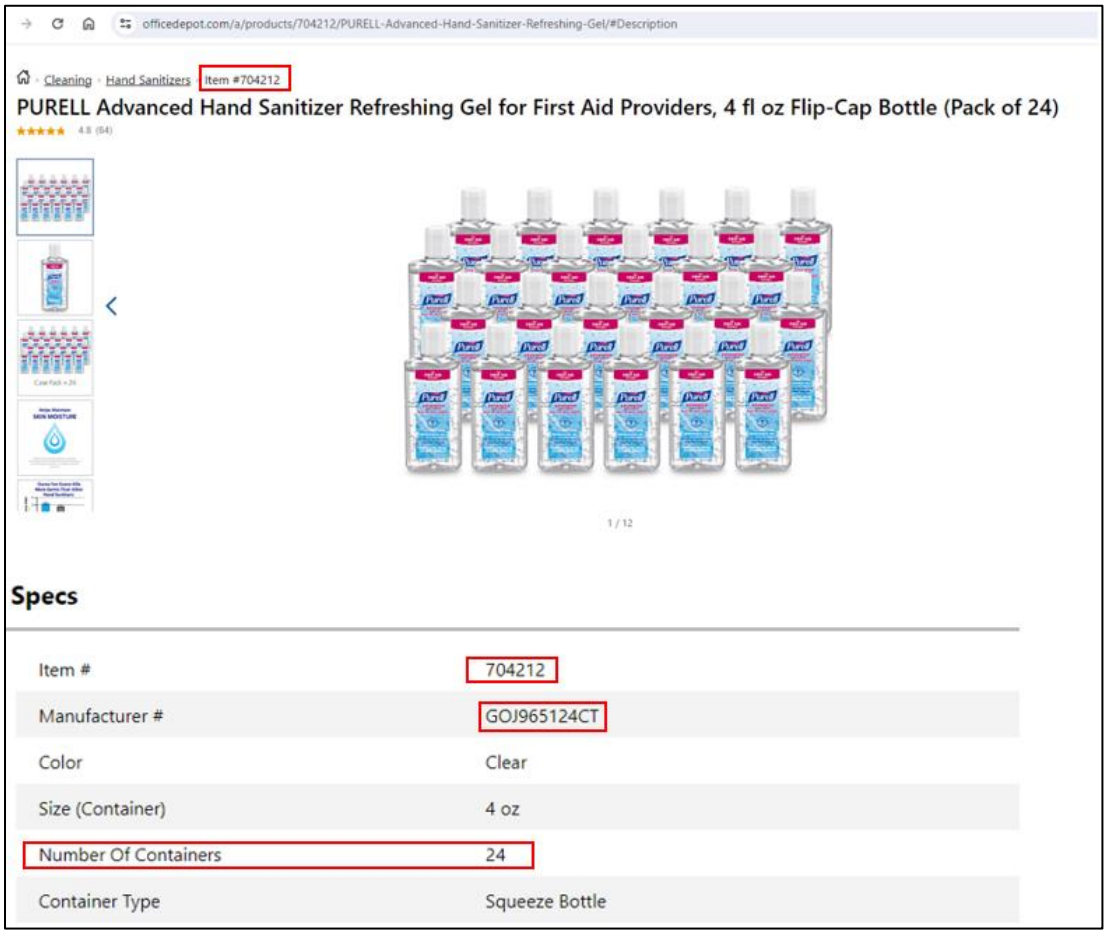
[7] Email correspondence received from ISD on April 10, 2024.

Figure 2: ISD Selection - SKU number GOJ9651

ITEM #	SKU#	BRAND	ITEM	UOM	ISD PRICE	OFFICE DEPOT/ CITY OF TAMARAC
G-659	GOJ9651	PURELL	HAND SANITIZER 4OZ. BOTTLE	EACH	$2.99	$ 47.81

Source: *November 10, 2022, Top 100 List*

Figure 3: Office Depot SKU number GOJ9651 (24 count)



Source: *Office Depot Website*[8]

ii. OCA observed that for item G-719, a 1.41-ounce Ross brand glue stick, ISD compared the item to a 4-ounce liquid bottle of all-purpose Elmer's glue (refer to ***Figure 4*** and ***Figure 5***), even though the item in the Office Depot City of Tamarac contract was over twice the size in ounces.

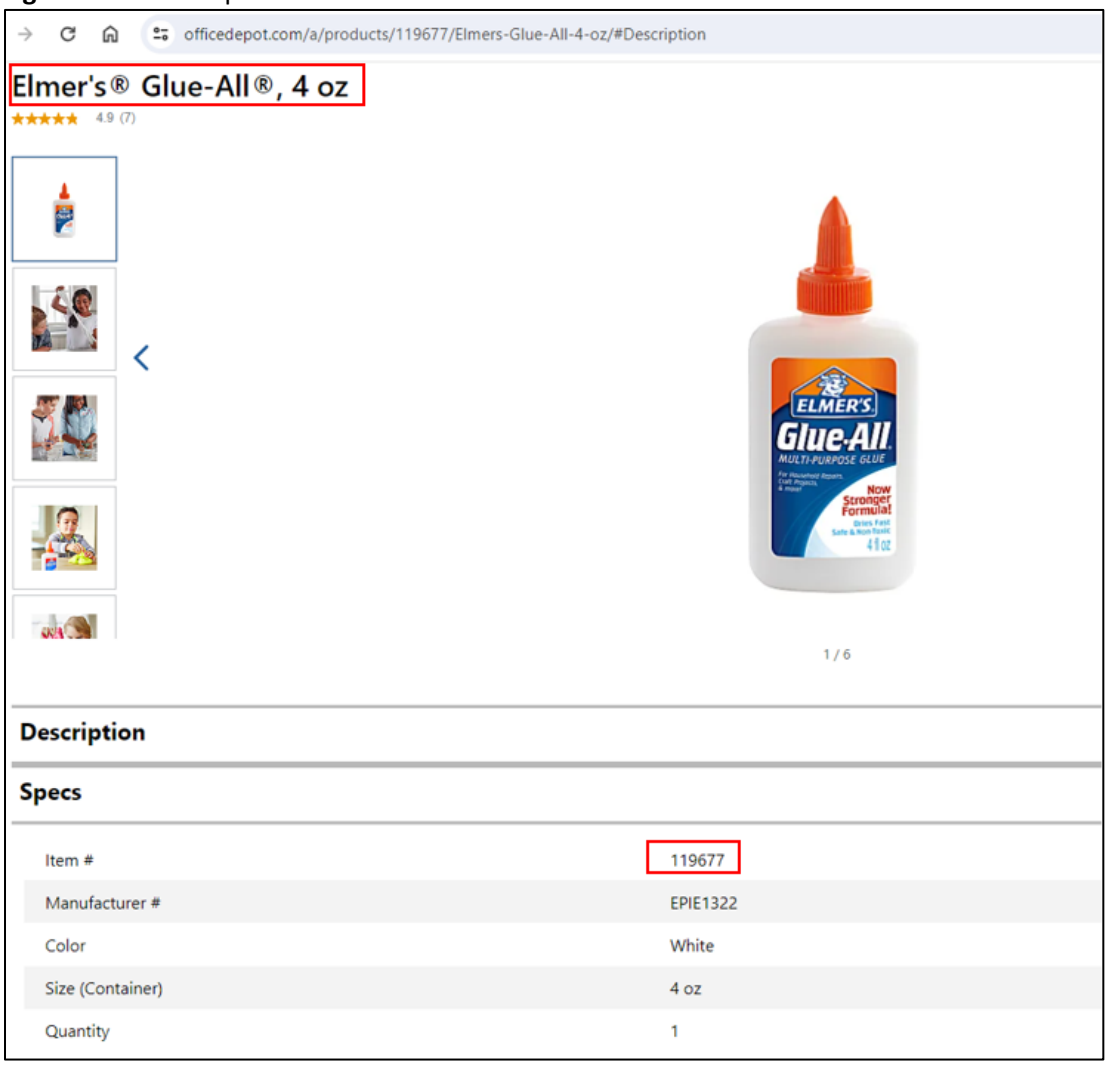
[8] Office Depot Office Max. (n.d.). Purell Advanced Hand Sanitizer Refreshing Gel for First Aid Providers, 4 fl oz Flip-Cap Bottle (Pack of 24). Accessed March 14, 2024. https://www.officedepot.com/a/products/704212/PURELL-Advanced-Hand-Sanitizer-Refreshing-Gel/

Figure 4: ISD Selection - Item G-719

ITEM #	SKU#	BRAND	ITEM	UOM	ISD PRICE	CITY OF TAMARAC PRICE	OFFICE DEPOT/ CITY OF TAMARAC ONLINE
G-719	95500	ROSS	GLUE STICK, 1.41 Oz. Stick, washable, non-toxic ROSS 95500	EACH	$0.95	$1.44	Tamarac comp 119677

Source: *May 22, 2023, Top 100 List*

Figure 5: Office Depot SKU number 119677



Source: *Office Depot Website*[9]

[9] Office Depot Office Max. (n.d.). Elmer's® Glue-All®, 4 oz. Accessed March 14, 2024. https://www.officedepot.com/a/products/119677/Elmers-Glue-All-4-oz/

III. ASSESSMENT OF CONTRACT MANAGEMENT

A. SMALL AND LOCAL BUSINESSES PARTICIPATION

One of the main objectives of awarding the prequalification pool *RTQ-02016* was to enhance opportunities for local and small businesses, per the Mayoral Memorandum attached to Resolution R-198-22. To assess the opportunities afforded to local and small businesses, OCA analyzed INFORMS transactions related to *RTQ-02016*, which included purchase order details that OCA used to assess the monetary value of the awards to the prequalified vendors. ***Table 2*** summarizes prequalified vendors, Small Business Enterprise - Goods (SBE) and local status, prequalification group(s), and the corresponding purchase order values.

Table 2: Purchase Orders for Prequalified Vendors under *RTQ-02016*

Prequalified Vendor	SBE	Local	Group(s)	Purchase Order Value
A+ School Supply, LLC	No	Yes	2	$ 275,135
Barlop Inc.	Yes	Yes	1 and 2	$ 35,233
Daboter, Inc. d/b/a Smith Office & Computer Supply	No	No	2	$ 1,151,342
Gassant Enterprises, LLC	Yes	Yes	1 and 2	$ 88,019
Inversiones Papelmania 2000 Inc.	Yes	Yes	1 and 2	$ 745,031
iPhone and iPad Warehouse LLC	Yes	Yes	1 and 2	$ -
LD Products, Inc.	No	No	2	$ -
LRE Inc. d/b/a Lee Ryder Lamination	Yes	Yes	2	$ 20,030
Office Express Supplies, Inc.	Yes	Yes	1 and 2	$ 317,320
Replenish Ink, Inc.	Yes	Yes	1 and 2	$ 34,002
Staples Contract & Commercial LLC	No	No	2	$ 6,978
Toner Cartridge Recharge, Inc.	Yes	Yes	1 and 2	$ 1,020,771
W B Mason Co, Inc.	No	Yes	2	$ -
			Total	**$ 3,693,861**

Source: *Office of the Commission Auditor, Business Management Workforce System, Miami-Dade County Business Tax*

Based on the data provided in ***Table 2,*** OCA compared the purchase order values allocated to local and/or SBE vendors to non-local and non-SBE vendors. ***Figure 6*** illustrates that 69% of the total purchase order value has been allocated to businesses classified as local and/or SBE.

Figure 6: *RTQ-02016* Bid Award to Local or SBE

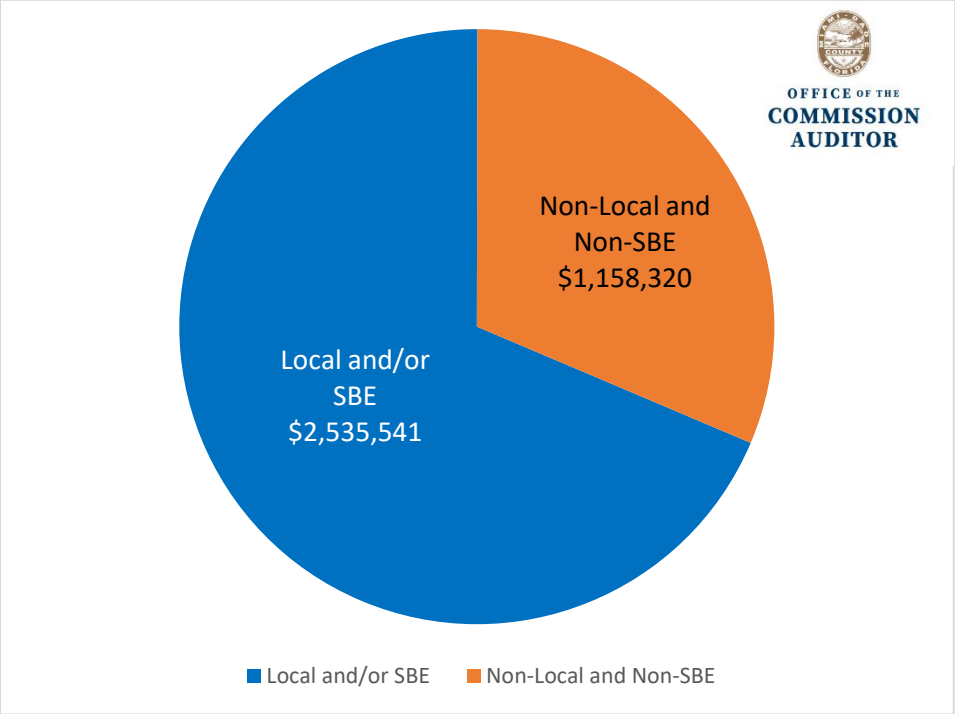
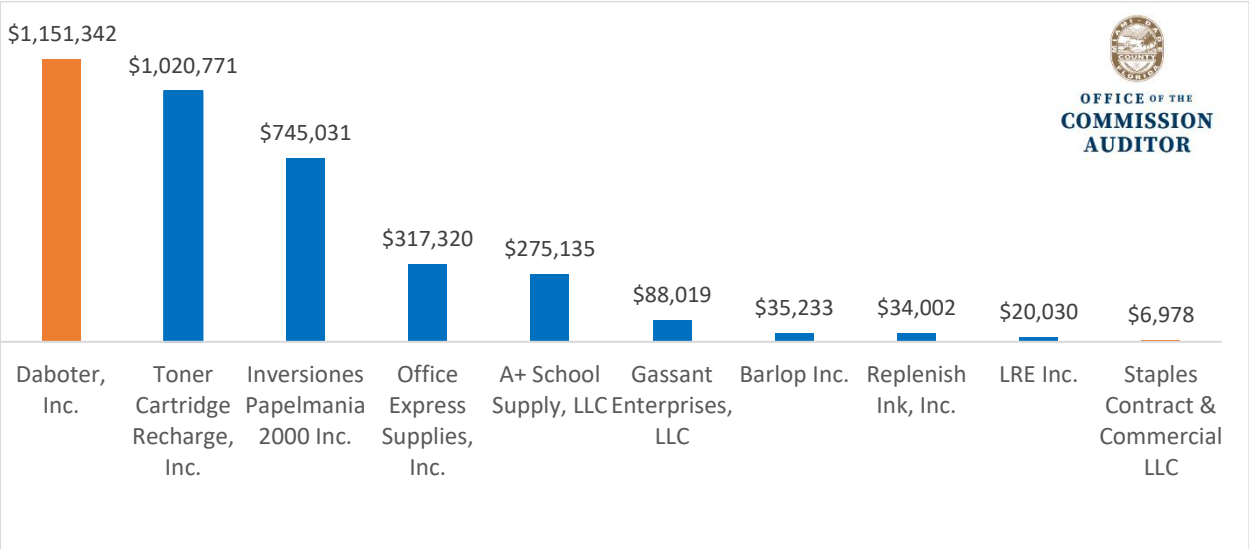


Figure 7 displays the breakdown of purchase order values by vendor. OCA noted that the vendor with the highest purchase order value (Daboter, Inc.) is not an SBE or local business according to information available and should not have qualified for the awarded bids based on the criteria outlined in *RTQ-02016*.

Figure 7: *RTQ-02016* Purchase Order Values by Vendor



B. PREQUALIFICATION SBE MEASURES & LOCAL PREFERENCE

Group 1 and Group 2 delineate the two prequalification groups for procuring office supplies via *RTQ-02016*. The solicitation process involves obtaining quotes from prequalified vendors for specific goods and services through an Invitation to Quote (ITQ) solicitation, with awards granted based on the lowest price. ITQs are utilized for spot market competition and special-order requests. Special order requests represent items that are not typically held in ISD's inventory.

SBE measures and local preferences are applied during the evaluation of bids and may affect the outcome of the award. The qualification criteria, SBE measures, and conditions for applying local preference per the solicitation for *RTQ-02016* are outlined below:

Qualification Criteria for Federal Funds: Section 2.4 outlines the requirements for utilizing each prequalification group. Federally funded means the funds for the purchase originate from the federal government or federal agencies.

Small Business Enterprise Measures: Section 2.7 outlines the applicability of SBE measures for purchases for each prequalified group. SBE measures apply to the solicitation as follows and as otherwise stipulated in Sections 2-8.1, and 10-34 of Miami-Dade County Code and Implementing Order 3-41. A set-aside is an SBE measure in which competition is restricted to SBEs. SBE measures shall not apply to federally funded purchases in accordance with CFR 200.319(b).

Local Preference: Section 2-8.5 of the Code of Miami-Dade County states a local business is a business located within the limits of Miami-Dade County that has a valid Local Business Tax Receipt issued by Miami-Dade County at least one year prior to bid submission.[10] Local preference shall not apply to federally funded purchases in accordance with CFR 200.319(b).

Table 3: *RTQ-02016* SBE Measures and Local Preference

	Group 1 Vendors	Group 2 Vendors
Qualification Criteria	Non-Federal Funds	Federal Funds
Small Business Enterprise Measures	Yes	No
Local Preference	Yes	No

Source: *Solicitation for RTQ-02016*

C. FEDERAL FUND REQUIREMENT IN GROUP 2

The Office Supplies pool contract *(RTQ-02016)* has six vendors prequalified for only Group 2 (Federal funds). Their total purchase order values represent $1,453,485, which accounts for 39% of the pool's purchase order value through January 10, 2024. To ensure compliance with contractual stipulations requiring Federal funds in Group 2, OCA reviewed the purchase orders for each vendor to identify the associated fund(s) and grant(s). ***Table 4*** presents the findings.

[10] Miami-Dade County. Miami-Dade Municode. Section 2-8.5.

Table 4: Fund(s) and Grant(s) for Purchase Orders *RTQ-02016*

Prequalified Vendor	Group	Fund(s)	Grant(s)	Purchase Order Value
A+ School Supply, LLC	2	G5010 & G5017	None	$ 275,135
Daboter, Inc. d/b/a Smith Office & Computer Supply	2	G5007 & G5017	None	$ 1,151,342
LD Products, Inc.	2	N/A	N/A	$ -
LRE Inc. d/b/a Lee Ryder Lamination	2	G5017	None	$ 20,030
Staples Contract & Commercial LLC	2	G5017	None	$ 6,978
W B Mason Co, Inc.	2	N/A	N/A	$ -
			Total	**$ 1,453,485**

Source: *Office of the Commission Auditor, INFORMS, and RTQ-02016 Roadmap*

D. PURCHASE ORDERS TO UNQUALIFIED VENDOR

Daboter, Inc., a vendor not certified as small or local business, and only prequalified for Group 2 (Federal funds), held the highest total purchase order value among vendors, even though the vendor should have only been contracted for purchases funded by Federal funds.

To further analyze the allocation of purchase orders to Group 2 vendors and to ascertain whether Federal fund(s)/grant(s) were utilized or if federal reimbursement was anticipated, OCA reviewed purchase orders and related documentation for the ten highest-value purchase orders awarded to Daboter, Inc. ***Table 5*** displays these purchase orders.

Table 5: *RTQ-02016*: Top Ten Highest-Value Purchase Orders for Daboter, Inc.

Purchase Order	Purchase Order Value
58003	$ 303,766
43100	$ 251,855
57607	$ 113,592
41438	$ 105,162
74112	$ 71,449
73847	$ 68,420
90054	$ 67,916
87714	$ 61,083
81987	$ 49,730
64819	$ 39,115
Total	**$ 1,132,088**

Source: *Office of the Commission Auditor, INFORMS*

Note that the utilization of SBE measures and local preferences during bid evaluations suggests that the purchases will be made using non-Federal funds, with no expectation of future federal reimbursement. Section 1 of Miami-Dade County General Terms and Conditions states in accordance with CFR 200.319(b), SBE measures and local preferences shall not apply to federally funded purchases. According to the

qualification criteria outlined in *RTQ-02016*, competition for non-Federal funded purchases is designated for Group 1 vendors.

If the observed measures and preferences were applied in error, and the funds are indeed federal, or there was intent to utilize Federal funds in the future, the application could impact reimbursement because federal regulations prohibit such measures and preferences.

Upon review of the purchase orders and related documentation, OCA noted the following observations:

1. **Competition and Awards to Vendors Not Prequalified for Group 1**

   Vendors that were only prequalified for Group 2 (Federal funds) accounted for 28 unique purchase orders recorded that were not directly attributed to federally funded purchases. These funds also do not appear to originate indirectly from federal sources or grants, which is a key requirement for their usage. It is important to note that specific INFORMS fund(s) or grant(s) do not necessarily indicate Federal funding use; although certain circumstances may warrant its usage, the Department did not provide any justification for the deviation from the contract requirement.

   The fund and grant indicated on the Special Order Request Form No. 687929 (***see Figure 8***) are "G1001 General Fund Operations (No-Grant)" and do not appear to originate from federal sources or grants. The option that indicates whether Federal funds are anticipated is not selected on the associated ITQ for the award.[11] Per the qualification criteria of *RTQ-02016*, competition for non-federally funded purchases is reserved for Group 1 vendors. The item under Special Order Request Form No. 687929, was awarded to Daboter, Inc., a vendor not prequalified for Group 1. This scenario occurred in several other transactions that were reviewed as part of this engagement.

[11] Daboter Bid Submittal for Special Order Request No. 687929, ITQ, Section B, Item 3

Figure 8: Special Order Request No. 687929

MIAMI-DADE COUNTY

INTERNAL SERVICES DEPARTMENT
(305) 592-3015 (305) 499-5467 FAX
2225 N.W. 72nd Avenue, Miami, FL 33122
ISD-SO@miamidade.gov

REQUEST NO. 687929

Date: July 28, 2023

ISD BUSINESS SUPPLIES SPECIAL ORDER REQUEST FORM
(Please complete and submit)

THIS FORM MUST BE SUBMITTED IN ORDER TO PROCESS ALL REQUESTS

By submitting this form, you are authorizing special order of the item(s) listed below. **SPECIAL ORDER ITEMS CANNOT BE CANCELED OR RETURNED**, except in the case of manufacturer defects or damage upon delivery.

FUND	DEPARTMENT ID	GRANT	BUS UNIT
G1001	TP22010200	No-Grant	TP
ACCOUNT	PROJECT	ACTIVITY	REQUESTING DEPARTMENT
5260280000			DTPW
SHIPPING ADDRESS			
7100 NW 36 Street Miami, FL 33166			
CONTACT PERSON	PHONE	EMAIL	
Martha I. Figueroa	305.679.0003	mif@miamidade.gov	
3 DIGIT DEPARTMENT CODE	3 DIGIT DIVISION CODE		
067	015		

You have requested the following special order item(s)

PART #	MANUFACTURER	DESCRIPTION	QUANTITY
631426	Office Depot	Clear-Front Report Covers, Red, Pack of 10	14
n-13231			

Source: *ISD Business Supplies Special Order Request Form No. 687929*

2. **Improper Local Preference Awarded**

In the initial system-generated tally for Spot Market Bid 469, a local preference was not applied to Daboter, Inc.[12] However, in the final manual tally, a local preference was applied by ISD staff (***see Table 6***).[13] ISD stated that the local preference change was due to the Department updating the vendor profile utilizing information sourced from the *RTQ-02016* Roadmap.[14] OCA could not find a local designation for Daboter, Inc. on the *RTQ-02016* Roadmap[15] and confirmed through the Mayoral Memorandum accompanying Resolution R-198-22 that the vendor was non-local. To further verify Daboter, Inc.'s local business status, OCA examined local business tax receipts for Miami-Dade County but found no records indicating their past or present local business status.[16]

According to Broward County Florida Records, Taxes, and Treasury, Daboter, Inc. was classified as a local business in Broward County. It's important to note that Miami-Dade County and Broward County had a reciprocity agreement for local business preferences from June 2002 to September

[12] Email correspondence from ISD received on February 26, 2024, and Materials Management Spot Market Application Bid Tabulation "Winning Bids 469".
[13] ISD Bid Tabulation "469 2022 Calendar Bid"
[14] TEAMS meeting with ISD conducted on March 28, 2024.
[15] *RTQ-02016* Roadmap
[16] Miami-Dade County Business Tax

2017.[17] However, there was no interlocal agreement with Broward County at the time of the spot market in question. Therefore, local preference should not have been applied to the awarded 11 items. The observation was not only limited to the referenced bid.

Table 6: Calendar Bid 469 Final Manual Tally

			LOCAL		
			SMITH OFFICE		
			UNIT PRICE	ADJ BID SBE/SBE-LOCAL 5%	ADJ BID SBE-LOCAL/LOCAL 10%
W-2025	PROFESSIONAL APPOINTMENT BOOK 4	AT A GLANCE	$ 32.26		$ 29.03
W-2031	APMT.Books, weekly-minder, Hourly apmt	KEITH CLARK	$ 12.39		$ 11.15
W-2032	Appointment Books, Monthly-Planner, 6-	KEITH CLARK	$ 11.25		$ 10.13

Source: *ISD Bid Tabulation "469 2022 Calendar Bid"*
Note: *Daboter, Inc. also does business as Smith Office & Computer Supply*

3. **Improper SBE Status**

The system-generated tally for Calendar Bid 469 initially granted an SBE measure to vendor A+ School Supply, LLC. To verify A+ School Supply, LLC's small business status, OCA searched Business Management Workforce System (BMWS), the County's official certification system, but found no results, indicating that the vendor is not classified as a small business.

Subsequently, OCA observed ISD removed the SBE measure in the final manual tally, which corrected their bid tabulation amounts. ISD clarified that the SBE change was an update to the vendor profile, and the information was sourced from BMWS.[18] This observation was not limited to the referenced bid.

4. **Awards to Non Pre-Qualified Vendors**

Galloway Office Supplies Inc. was awarded a line item for Calendar Bid 469 even though it was not a prequalified vendor for *RTQ-02016* and should have been ineligible to compete.[19]

5. **Provisions that Restrict Competition**

OCA observed a ISD handwritten note (***see Figure 9***) stating that A+ School Supply, LLC was not awarded line items W-2025 and W-2032 due to offering the product brand name "Brownline" instead of the brand names "At A Glance" and "Keith Clark," listed in Calendar Bid 469.

[17] Miami-Dade County Resolutions No. R-831-15 and Miami-Dade County Legislative Item File Number 212272
[18] TEAMS meeting with ISD conducted on March 28, 2024.
[19] Email correspondence from ISD received on April 3, 2022.

Figure 9: ISD Handwritten Note - Calendar Bid 469

> APlus didnt win W-2025 & W2032 because the first choice was At a glance cost Keith Clark
>
> Not Broadline which was being offered by A.Plus

SPD's Procurement Guidance Document and Best Practices Manual, Section 1.14, Prohibition of Provisions within Solicitations that Unduly Restrict Competition, highlight avoiding specifications that limit competition to brand name products without allowing for equivalent alternatives.[20]

In an ISD email dated April 20, 2022, OCA noted that several items were listed as "no substitute" for Spot Market Bid 471. The items listed as "no substitute" did not have any product characteristics that would support the decision not to accept a similar substitute product, like the C-227 DVD's Memorex #05621. ISD advised OCA that the items were listed as "no substitute" due to customer preferences, and when they attempted to allow substitutions, they received customer complaints regarding product quality.[21]

Listing no substitutes in bids can act as a barrier to competition by limiting vendors' ability to offer alternative products or solutions that may better meet the requirements or preferences of the purchasing entity. A "no substitute" restriction can reduce the pool of potential bidders, create limited competition, increase cost, and supplier dependency risks.

6. **Improper Vendor Outreach**

Outreach to the appropriate vendors is an important part of the cycle and requires proper communication with the appropriate vendors. However, OCA reviewed an email for Spot Market Bid 471 from ISD dated April 20, 2022, which included eight vendors that were not prequalified for *RTQ-02016* but were also notified and welcomed to bid.[22]

In addition, OCA requested from ISD the bid opening for Spot Market Bid 469. However, the Department could not locate the email sent to vendors as part of the bid opening.[23] As a result, OCA could not confirm which vendors were notified of the advertisement.

Moreover, to quantify vendor awards, OCA requested the award email for Spot Market Bid 471. ISD informed OCA that Bid 471 was voided due to staff oversight regarding the SBE set-aside requirement.[24] ISD provided the cancellation email sent to vendors. A replacement solicitation, Spot Market Bid 483, was issued, with ISD providing system-generated tallies. OCA noted there was nearly a 2-month gap between (1) the email notification for Spot Market Bid 471 (April 20, 2022) and (2) the email notification for the cancellation of Spot Market Bid 471 (June 17, 2022) and the advertisement of the replacement solicitation Spot Market Bid 483 (June 17, 2022).[25]

[20] SPD's Procurement Guidance Document and Best Practices Manual
[21] TEAMS meeting with ISD conducted on March 28, 2024.
[22] Email correspondence from ISD received on April 20, 2022.
[23] Email correspondence from ISD received on February 26, 2024.
[24] Email correspondence from ISD received on March 24, 2024.
[25] Email correspondence from ISD received on April 20, 2022, and June 17, 2022.

As displayed in ***Figure 10*** below, Spot Market Bid 483, did not indicate whether Federal funds were anticipated in the resultant contract. Spot Markets for *RTQ-02016* that do not use Federal funds have to be procured via prequalified Group 1 vendors; vendors prequalified for only Group 2 should not have been eligible to compete. OCA noted that A+ School Supply, LLC and Daboter, Inc., both of which are not prequalified for Group 1, were included in the replacement solicitation outreach. OCA requested from ISD the award email for Spot Market Bid 483, however, ISD advised they could not locate the award email sent to vendors. Therefore, OCA could not confirm the quantity of awards per vendor for the subject solicitation.

Figure 10: Spot Market Bid 483, Anticipation of Federal Funds Not Indicated

3. ☐ The use of Federal funds is anticipated in the resultant contract. As such, the following Section 1 General Terms and Conditions provisions **shall not apply to this Spot Market Bid:**

- Article 1.2(H) Prompt Payment Terms
- Article 1.11 Local Preference
- Article 1.29 Office of the Inspector General *(only the **cost** of the random audits, as specified)*
- Article 1.37 County User Access Program (UAP)
- Article 1.45 Small Business Enterprise (SBE) Measures
- Article 1.46 Local Certified Veteran's Business Enterprise Preference
- Article 1.47 Application of Preferences
- Article 1.49 First Source Hiring Referral Program (FSHRP)

Source: *Spot Market Bid 483, Section B. Instruction to all Bidders, Item 3*

7. **Price Increase Post Award**

Daboter, Inc. was deemed the lowest responsive bidder for Stock Item F-641, outbidding other vendors, and thus awarded the line item associated with Spot Market Bid 435 awarded in October 2021.[26] OCA noted that on May 31, 2022, Daboter, Inc. sent an email requesting a price change (refer to ***Figure 11***) to increase the unit price of stock item F-641 from $6.00 to $9.76, increasing the total amount for this order from $2,070 to $3,367 (a percentage increase of 63%).

The figures below show the email from the vendor notifying ISD of the price increase (***Figure 11***), the unit price change (***Figure 12***), and the invoice after the adjustment (***Figure 13***).

Figure 11: Vendor Price Change Request

Price change request

Item # F-641 are now 9.76 per box

Let me know

Thank you

Source: *ISD email correspondence from vendor dated May 31, 2022*

[26] ISD's February 1, 2024, hand delivered response to OCA's Notice of Inquiry.

Figure 12: Price Change Modifications to Vendor Order 169586

NO.	STOCK/BID ITEM	QUANTITY	UNIT	DESCRIPTION AND SPECIFICATIONS	UNIT PRICE	AMOUNT
1	F-641 46A	345	Box	FILE FOLDER,MANILA, LETTER SIZE, 1/2"CUT ESSELTE #752-1/2 CUT	~~6.000~~ 9.76	~~2,070.00~~
						3367.21
					TOTAL	~~2,070.00~~

DELIVERY TO BE MADE WITHIN 30 CALENDAR DAYS OR LESS. IN THE EVENT THAT DELIVERY ON AN INDIVIDUALSHIPMENT WILL EXCEED 30 CALENDAR DAYS, VENDOR MUST NOTIFY THE COUNTY INWRITING OF ESTIMATEDDELIVERY DATE.

Page 1 of 1

Source: *Vendor Order 169586*

Figure 13: Invoice for Vendor Order 169586

INVOICE

CUSTOMER # 6295 DEPT
BILLING ADDRESS
MIAMI-DADE COUNTY
INTERNAL SERVICES DEPT
2225 NW 72 AVENUE
MIAMI FL 33122

#169586
SHIPPING ADDRESS
MIAMI-DADE COUNTY
INTERNAL SERVICES DEPT
2225 NW 72 AVENUE
MIAMI FL 33122

ITEM NBR.	CO.	DESCRIPTION	UNIT	ORDER QTY	B/O QTY	SHIP QTY	UNIT PRICE	EXTENDED
		POID 41438						
12112	UNV	FOLDER,MAN,1/2CT,LTR BX F-641		345		345	9.760	3367.20

Source: *Daboter, Inc. Supply Invoice 1268623-0*

As a result of the price increase observed for Vendor Order 169586, OCA inquired about ISD's approval process for price increases during a site visit on February 14, 2024. ISD stated that the ISD purchasing specialist has the authority to approve price changes in the County's best interest. Furthermore, ISD explained that evaluating the County's best interest involves analyzing pricing, market conditions, and product availability.[27]

In a follow-up meeting with SPD on March 14, 2024, SPD mentioned that vendor price adjustments could be made based on a Consumer Price Index (CPI) or other contracting mechanisms, however, these should have been included in the specifications for the spot market. Deviating from advertised and awarded terms is typically considered a material change from procurement standards per SPD's Procurement Guidance Document and Best Practices Manual, Section 1, Section 1.18.[28]

[27] TEAMS meeting with ISD conducted on March 28, 2024.
[28] SPD's Procurement Guidance Document and Best Practices Manual and TEAMS meeting with SPD conducted on March 14, 2024.

E. IMPLEMENTATION OF THE PREQUALIFICATION POOL

Internal Services Department

Upon reviewing the documentation related to the purchase orders, OCA noted a recurring pattern of incorrect application of SBE measures and local preferences to vendors that do not qualify for them under the current guidelines. In addition, a recurring inclusion of Group 2 vendors for non-Federal funded bids contradicted the contractual designation of Group 2 for only Federal funds use.

To further verify the cause of these observations, OCA consulted ISD regarding the role of Federal funds in the prequalification pool *RTQ-02016*. In meetings held on February 9, 2024, and during a site visit to the ISD Office Supplies Warehouse on February 14, 2024, ISD expressed to OCA that Federal funds did not play a factor in determining the pool's group utilization. Additionally, ISD management stated that funding sources were not considered during vendor selection as required in the contract and all prequalified vendors were informed of bidding opportunities with appropriate measures and preferences later applied.[29] Consequently, these consultations with ISD revealed that the Department was not following the competitive restrictions outlined for Group 2 as stipulated in the pool and Mayoral Memorandum accompanying Resolution R-198-22.

It is also important to note that vendor information regarding their small and local business status is manually entered into the Materials Management Spot Market Application before each bid, with the source of information being the *RTQ-02016* Roadmap.[30] The Materials Management Spot Market Application facilitates the bid submission process by allowing vendors to submit their bids electronically and generates bid tabulations for award. The roadmap was specific on group fund utilization restrictions, listed all prequalified vendors, and excluded non-prequalified vendors that have been allowed to participate in bids in which they should have been ineligible.[31]

Strategic Procurement Department

SPD is the central agency that acquires goods and services for Miami-Dade County. SPD advised that they were responsible for establishing the Office Supplies prequalification pool because it exceeded ISD's procurement threshold. SPD explained that it oversees vendor additions and ensures timely pool renewal, while ISD manages spot market solicitations, awards, and due diligence. ISD also monitors pool allocation and vendor performance and is responsible for notifying SPD of any issues.[32] In a meeting with OCA on March 14, 2024, SPD emphasized:

1. The County established the prequalification pool to reserve certain commodities for small, certified businesses.
2. Departments must comply with Federal fund restrictions.
3. Group 2 is designated for purchases using Federal funds or scenarios in which set-asides or other preferences are not allowed.
4. Departments are responsible for conducting pre-award due diligence, confirming local business tax receipts, and reviewing small business status.

[29] OCA site visit to ISD Office Supplies Warehouse on February 14, 2024, and TEAMS meeting conducted with ISD on February 9, 2024.
[30] OCA site visit to ISD Office Supplies Warehouse on February 14, 2024.
[31] *RTQ-02016* Roadmap
[32] TEAMS meeting with ISD conducted on March 14, 2024.

5. Departments should specify applicable bidding group(s) to ensure proper notification and awarding.

IV. MONITORING OF COMPANIES PER R-198-22

The Mayoral Memorandum attached to Resolution R-198-22, dated March 1, 2022, states that "companies will be monitored to ensure they are not serving as simple pass-throughs, but offer local employment and warehousing of supplies, resulting in local employment and economic impact."[33] OCA collaborated with ISD, SPD, and SBD to assess their responsibilities and compliance with this commitment. At the time of award, March 1, 2022, all three Departments were under one consolidated Department (ISD).

OCA contacted ISD, SPD, and SBD to inquire if they currently have any process or procedure in place for monitoring the prequalified vendors under *RTQ-02016* to ensure compliance with the resolution. ISD, SPD, and SBD stated that they do not monitor vendors regarding their pass-through status, local employment, warehousing, or their impact on local employment and economic conditions.[34]

[33] Award Memorandum for Resolution No. R-198-22.

[34] ISD's February 2, 2024, response to OCA's Notice of Inquiry, SPD's December 8, 2023, response to OCA's Notice of Inquiry, and SBD's April 22, 2024, and April 23, 2024, responses to OCA's Notice of Inquiry.

V. FINANCIAL MANAGEMENT ASSESSMENT

OCA analyzed financial data provided by the Internal Services Department (ISD or the Department) and obtained information from various County systems for the use of this report. OCA performed additional due diligence to review, assess, and verify records submitted by ISD to report on the financial impact of the Office Supplies operation. Refer to ***Sections A – E***, which outline the results of OCA's assertions and observations related to ISD's Office Supplies operation.

A. FINANCIAL MANAGEMENT

1. Price Mark-up to Departments

ISD manages the centralized purchasing and distribution of Countywide office supplies. When ordering through the ISD Office Supplies operation, all County Departments are subject to an 11% mark-up on stock items and a higher mark-up of 20% for non-stock items (special order items).[35] It is also important to note that items purchased and distributed in response to the COVID-19 pandemic carried no mark-up.[36]

Generally, ISD proposes the mark-up rates, which are approved by the Office of Management and Budget (OMB) and published annually during the budget development cycle.[37] ISD indicated that all revenue generated from sales, including mark-ups, is used to fund the costs of the Office Supplies operation, which includes personnel and overhead costs.[38] Additionally, OCA noted that the system is programmed to round up the unit price of items charged to County Departments and customers to the nearest five cents after the appropriate percentage mark-ups are applied.[39] This rounding may result in mark-ups higher than the listed 11% or 20%.

2. Net Losses in ISD's Office Supplies Operation

To present a view of the financial performance of the ISD Office Supplies operation, OCA prepared a Profit & Loss Statement (***Table 7***) based on data from INFORMS and information from ISD's management to understand the financial trends reported in INFORMS.

ISD tracks financial transactions under specific categories, which are referred to as "projects" in INFORMS. ISD created the project "ID03_Supplies" to track the Office Supplies Section revenues and expenses. OCA noted that the revenues posted under this project during FY 2021 and FY 2022 appeared low compared to previous fiscal years and inquired with ISD regarding this trend. ISD explained that the Department did not fully utilize the projects they created, such as project "ID03_Supplies," until FY 2024.[40] Instead, the Department recorded some revenues without a project designation. To assist in OCA's review of the financial performance of the Office Supplies Section, ISD created a document that reconciled and re-assigned related revenue transactions to

[35] ISD's December 13, 2023, response to OCA's Notice of Inquiry.
[36] ISD's March 26, 2024, response to OCA's Notice of Inquiry.
[37] Email correspondence from ISD received on August 18, 2023.
[38] Email correspondence from ISD received on August 18, 2023.
[39] TEAMS meeting conducted with ITD on January 12, 2024.
[40] ISD's February 14, 2024, response to OCA's Notice of Inquiry.

the "ID03_Supplies" project that they believe accurately reflects the revenues that belong to the Office Supplies Section.

Since inventory purchases are not always associated with the sales occurring in the same fiscal year, OCA calculated an estimated cost of goods sold (COGS) based on the revenue generated by ISD office supplies sales during each fiscal year. OCA estimated that the weighted average mark-up from sales to Departments from FY 2021 - FY 2023 was 12% based on the data ISD provided. OCA observed that 95% of sales (estimated at 63,111 transactions) had an 11% mark-up, and 5% of sales (estimated at 3,324 transactions) had a 20% mark-up.

Table 7 illustrates the estimated net losses for the Office Supplies operation per INFORMS data and COGS estimates. It also provides a breakdown of the estimated expenditures related to the Office Supplies Section from INFORMS based on the chartfields provided by ISD.[41]

Table 7: Estimated ISD Office Supplies Net Loss Based on 12% Weighted Average Mark-up

Revenue and Expenditure Categories	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Actuals
Revenue	$ 2,320,390	$ 3,262,667	$ 4,941,897
Expenditures			
Estimated Cost of Goods Sold (COGS)	$ 2,071,777	$ 2,913,096	$ 4,412,408
Personnel Costs	$ 751,261	$ 785,425	$ 812,427
Estimated Intrafund Transfer	$ 30,651	$ 39,398	$ 34,382
Contractual Services	$ 14,065	$ 36,922	$ 34,029
Charges for County Services	$ 42,399	$ 32,779	$ 60,426
Other Operating Expenditures	$ 524,362	$ 18,497	$ 12,590
Total Estimated Expenditures	$ 3,434,516	$ 3,826,117	$ 5,366,263
Estimated Net Profit/ (Loss)	**$ (1,114,126)**	**$ (563,449)**	**$ (424,365)**

Source: *Office of the Commission Auditor and INFORMS*

Observations: Refer to the section below, which lists the observations related to the Net Profit and Loss of ISD's Office Supplies Section:

i. Based on the estimated net profit and loss calculated in ***Table 7***, the ISD Office Supplies Section does not generate enough revenue to cover its operational expenses, including personnel costs. The analysis shows a net loss for Fiscal Years 2021 through 2023, considering revenue generated from a weighted average mark-up of 12%. Additionally, OCA identified that the Office Supplies Section's financial data does not include rent for the facilities (warehouse, offices, etc.) used to support the Office Supplies operation, which understates the overhead and opportunity cost of those facilities. The ISD Office Supplies Section currently has seven (7) employees - full-time equivalent (FTEs).[42] OCA excluded account "5260500000 - PRINTING & REPRODUCTION" from the "Charges for County

[41] ISD's October 26, 2023, response to OCA's Notice of Inquiry.
[42] Email correspondence from ISD received on March 13, 2024, and March 28, 2024.

Services" category as ISD explained that this account is associated with the purchases of office supplies and was re-assigned to the "Estimated COGS" category.[43]

ii. OCA included $428,813 for purchasing barcode scanners posted in FY 2021 by ISD in one of the office supplies accounts provided by ISD in the "Other Operating Expenditures" category. ISD explained that the Department incurred these expenditures to purchase the scanners required for the Asset Management module in INFORMS for all County Departments.[44] County Departments were expected to reimburse ISD for these expenditures; however, ISD realized that the reimbursements had not been processed during the OCA's inquiry.[45]

iii. In FY 2021, ISD's Office Supplies Section was overcharged for the total cost related to the centralized administration expenses (i.e., personnel working in policy and legislation, human resources, accounts payable, etc. that Business Services and Property Control operations) meant to be shared among the four sections under ISD's Materials Management.[46] However, for Fiscal Years 2022 and 2023, the distribution of these expenses to the Office Supplies Section was not performed. Accordingly, OCA made the necessary distribution of the total centralized expenses for FY 2021 ($122,605), FY 2022 ($157,590), and FY 2023 ($137,529) among the four sections under ISD Materials Management to produce an estimated and re-aligned Intrafund Transfers amounts.

iv. OCA observed that in some Fiscal Years, the Business Services and Property Control fund (G5017), which includes the Office Supplies operations, was financially supported by Print Shop fund (G5007) revenues. For example, in FY 2021, the ISD Print Shop made an Intrafund transfer of $2.16 million to support the Business Services and Property Control fund.

v. OCA observed that in FY 2022 and FY 2023, the actual expenditures related to office supplies from INFORMS ranged from approximately $3.2 million to $3.9 million (refer to ***Table 8 and Table 9***). OCA noted that after accounting for inventory available from purchases in prior years, the expenditures in those fiscal years represent an unusual result and does not reflect the expected revenues for the Office Supplies Section (refer to ***Table 7***).

[43] ISD's October 26, 2023, response to OCA's Notice of Inquiry.
[44] ISD's March 28, 2024, response to OCA's Notice of Inquiry.
[45] TEAMS meeting conducted with ISD on March 28, 2024.
[46] TEAMS meeting conducted with ISD on March 28, 2024.

Table 8: ISD Office Supplies Purchases by Fiscal Year

Expenditures for Inventory Purchases	FY 2022 Actuals	FY 2023 Actuals
5470100000 - Off. Supplies/Outside Vendors	$ 1,374,680	$ 2,086,982
5470140000 - Toner Supplies	$ 1,009,663	$ 973,582
5470150000 - Paper (Copier/Printer)	$ 756,130	$ 645,074
5470200000 - Office Equip (Non Cap)	$ 48,801	$ 187,842
5260500000 - Printing & Reproduction	$ 3,762	$ 28,200
Expenditures - Office Supplies Purchases of Inventory	**$ 3,193,036**	**$ 3,921,680**

Source: *INFORMS and Office of the Commission Auditor*

Table 9: Office Supplies Inventory by Fiscal Year Based on 12% Weighted Average Mark-up

Inventory Balances	FY 2022	FY 2023
Beginning Inventory Balance	$ 3,290,285	$ 3,035,515
Inventory Purchased	$ 3,193,036	$ 3,921,680
Total Inventory	**$ 6,483,320**	**$ 6,957,195**
Estimated COGS	$ 2,913,096	$ 4,412,408
Expected Ending Inventory Balance	$ 3,570,224	$ 2,544,787
Actual Ending Inventory Balance	$ 3,035,515	$ 1,370,938
Ending Inventory Discrepancy	**$ (534,709)**	**$ (1,173,849)**

Source: *INFORMS and Office of the Commission Auditor Estimates*

3. **Improper Inventory Accounting**

OCA noted that fund G5017, which is related to the Office Supplies Section, did not have a balance for inventory. This observation led OCA to inquire where the inventory balances were recorded in the County's financial system of record. Fund G5017 should have an inventory balance since the business model involves purchasing and reselling inventory. Additionally, the Office Supplies Section conducts physical inventory counts and provides a report to Finance at the end of each fiscal year to adjust the inventory balances. OCA requested the FY 2021, FY2022, and FY 2023 entries that were made to adjust the office supplies ending inventory balance and observed that Finance recorded these entries incorrectly to fund G5007, which is related to the ISD Print Shop Section.[47] These incorrect end-of-year entries reduced the inventory balance in fund G5007 by an aggregate of $1.59 million (refer to ***Table 10*** below) from FY 2021 to FY 2023. The transactions recorded to the wrong fund indicate that ISD did not review the financial transactions affecting the fund. OCA concludes that fund G5017 does not accurately represent the inventory balances for the Office Supplies Section, thus reducing reliability and accuracy for financial reporting.

[47] Finance's December 26, 2023, response to OCA's Notice of Inquiry.

Table 10: ISD Office Supplies Inventory Balances and Adjustments by Fiscal Year

Fiscal Year	Inventory Balances (Beg. Balance)	Physical Count (End. Balance)	Inventory Adjustments
FY 2021	$ 2,957,797	$ 3,290,285	$ 332,488
FY 2022	$ 3,290,285	$ 3,035,515	$ (254,769)
FY 2023	$ 3,035,515	$ 1,370,938	$ (1,664,577)

***Source**: INFORMS*

4. **Unsupported and Unjustified Inventory Adjustments**

   i. OCA observed that ISD staff are allowed to make unsupported changes to the inventory balances without management approval or any documentation noting the justification. The changes are made in the inventory system (AS400) by simply inputting "X" to increase physical inventory or "Y" to reduce physical inventory (refer to ***Table 11*** below).

   Table 11 shows that the net inventory balance was manually reduced by $2.9 million from FY 2020 to FY 2023 by unsupported "X" and "Y" adjustments.

   Table 11: X and Y Inventory Adjustment Summary

Transaction Code	FY 2020	FY 2021	FY 2022	FY 2023	Total
X - Positive Adjustment	$ 6,036,104	$ 13,974	$ 42,294	$ 454,435	$ 6,546,807
Y - Negative Adjustment	$(4,917,528)	$(458,738)	$(1,090,524)	$(2,959,278)	$(9,426,067)
Net Change	**$ 1,118,576**	**$(444,763)**	**$(1,048,230)**	**$(2,504,842)**	**$(2,879,259)**

***Source:** AS400*

   As shown in ***Figure 14*** below, OCA observed in AS400 that on April 15, 2020, ISD staff made an "X" positive adjustment for a quantity of 75,000 with an associated value of $4,875,000. Subsequently, on April 16, 2020, the same staff made a "Y" negative adjustment for a quantity of 74,500 with an associated value of $4,842,500. OCA inquired about these adjustments, but the Department was unable to provide any justification or authorization, stating that "ISD is unable to provide the exact circumstances surrounding the two adjustments made in FY 2020."[48]

[48] ISD's March 26, 2024, response to OCA's Notice of Inquiry.

Figure 14: AS400 screen depicting unsupported and unapproved changes made to inventory

Date: 3-20-2024 TRANSACTION DISPLAY Time: 22:09:05

Stock No.: S-425 DISPOSABLE MASK 3 PLY #421409

Period from 4-15-2020 through 3-20-2024

Date	Time	Request	Order	Code	Quantity	Balance	ID	Rem	Ticket No.
4-15-2020	8:19:57	668586		D -	3	58	10		
4-15-2020	9:53:00		167173	S +	140	198			10004
4-15-2020	14:31:20			X +	75,000	75,198	02	3	
4-15-2020	14:31:31	668609		D -	300	74,898	02		
4-16-2020	8:42:21			Y -	74,500	398	02	3	
4-16-2020	8:42:42			X +	1,200	1,598	02	3	

Source: *Office of the Commission Auditor and AS400*

Additionally, ISD confirmed that management approval limits were not in the Department's policies and procedures for inventory adjustments, thus allowing ISD staff to make significant inventory adjustments without management review and approval. This practice may increase the risk of unjustified adjustments and potential inventory shrinkage since management does not maintain oversight to review material inventory adjustments that affect the inventory value. Per best practices guidance from the General Accounting Office (GAO), "Approval of adjustments by management and referral of potential fraud or theft to investigators helps ensure reliable counts and research…As the dollar amount of the adjustment increased, the approval level within the company increased. The approval levels progressed from the lead or supervisor of the researcher up to the location manager."[49]

ii. OCA requested the annual physical inventory reports ISD sent to Finance for Fiscal Years 2020 through 2023. Upon reviewing the reports, OCA noticed a discrepancy in FY 2023 between the ending inventory balance of $1,370,938 mentioned in the memorandum submitted by ISD and the ending inventory balance of $1,117,787 shown in the inventory details report attached to the same memorandum.[50] OCA requested an explanation for this $253,151 difference, as the expectation was that the memorandum and the inventory details would match.

During a TEAMS meeting held on February 9, 2024, ISD stated that the $1,117,787 in the inventory details report did not seem correct based on their assessment during the FY 2023 inventory count. As a result, ISD re-checked the Warehouse and found $253,151 worth of inventory that the Department had missed due to oversight. This explanation prompted OCA to inquire about how ISD had assessed the need for an adjustment, but the Department was unable to provide a satisfactory explanation. Additionally, ISD could not provide any documented evidence for the $253,151 adjustment, nor could they provide the updated inventory report matching the $1,370,938 shown in the memorandum.

[49] United States General Accounting Office. 2024. Executive Guide. Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Page 53. March 2002. Accessed March 1, 2024. https://www.gao.gov/assets/gao-02-447g.pdf

[50] Results of Annual Physical Inventory Office Supplies Memorandum dated August 28, 2023.

OCA also noted that ISD's Supplies Section did not store and maintain critical records of transactions. This lapse is inconsistent with the procedures for record retention set in ISD's Standard Operating Procedures (SOP) for the Business Services and Property Control Section for inventory adjustment reports (refer to ***Figure 15*** below). Accordingly, compliance with the established SOP to retain documentation and reports when inventory records are updated may also assist the Department in complying with Rule 1B-24.003 (1)(a), Florida Administrative Code Item #435, where local government agencies are required to retain the transaction records details for a minimum of five (5) years after a transaction is completed.[51]

Figure 15: ISD SOP for retention of adjustments made during the Annual Inventory

7. Inventory

There are (4) methods used to conduct inventories at the Business Supply Warehouse. Annual Inventory, Cyclic Inventory, Spot Check Inventory, and Annual Inventory of Capitol Equipment.

A. **Annual Inventory:** This inventory is conducted once a year prior to the fiscal year end. Dates of inventory will be determined by the Fixed Asset Manager. When this inventory is conducted, the warehouse will be closed. No stock items will be issued. Any items being delivered by carriers, warehouse employees will accept items, but will not be entered into inventory. Received items will be marked "Do Not Inventory". Supply Supervisor will generate the report using the AS400, from the master menu **option 8 (Attachment T), Inventory Adjustment Menu. In the inventory adjustment menu, choose option 1 Erase Inventory Counts from Last Year. Next, use option 2, Print Items List, which is the form used to conduct the physical inventory. All stocked items will be counted and marked as counted during inventory. Initial count will be entered using option 3 Input New Counts into Inventory File. When all counts are entered, use option 4 Print All Entries from Inventory File. At this point, check for all discrepancies that are discovered from this report. Upon verification of discrepancy counts, information will be entered into the AS 400 and a draft report will be generated using option 5 Print Draft of Inventory Adjustment Report. Upon review of this report and completed counts, a final draft will be generated using option 6 Print Final Inventory**

Adjustment Report. A copy will be kept on file in the warehouse and the original will be forwarded to the Fixed Asset Manager.

Source: *ISD Business Services and Property Control Section SOP*[52]

iii. ISD and ITD provided OCA with a transaction data file from AS400 detailing ISD's inventory activity from FY 2020 to FY 2023. OCA analyzed the details and observed records where ISD recorded inventory quantity adjustments with zero-dollar amounts (***Table 12***).

OCA inquired about the rationale for recording inventory quantity adjustments for those transaction codes with a zero-dollar amount, and the Department stated that "X and Y transaction codes will not have an amount for the physical inventory transactions…B, C, F, and W transaction codes will not have an amount because the calculation flag is blank, which means not to calculate either cost or sale price."[53] OCA requested the reasoning behind this

[51] Florida Department of State. Division of Library and Information Services. Florida Administrative Code & Florida Administrative Register. 2023. "General Records Schedule GS1-SL For State and Local Government Agencies." June 2023. Accessed March 1, 2024. https://www.flrules.org/gateway/reference.asp?No=Ref-15394

[52] ISD's January 30, 2024, response to OCA's Notice of Inquiry.

[53] Email correspondence from ISD and ITD received on March 27, 2024.

treatment, and the Department stated that it was a business decision made in the 1980s that was never subsequently reviewed or updated.[54]

However, upon further review of the transaction details, OCA discovered that ISD staff made inventory adjustments with no dollar values under transaction codes "X" and "Y" outside of the end-of-year physical inventory count period (***Table 12***). For example, on June 1, 2021, an ISD staff decreased the quantity of stock item #S-426 (Face Shields) by 9,927 units without changing the inventory's total dollar value. OCA's observation contradicts what the Department stated and shows that ISD staff can increase or decrease the quantity of any inventory item without affecting the inventory item's total dollar value outside of the end-of-year physical inventory count.

Table 12: Quantity of ISD Inventory Adjustments with Zero-Dollar Amounts

Transaction Code	2020	2020	2020	2021	2021	2022	2023	Total
	Mar	Jul	Aug	May	Jun	Nov	Mar	
X - Positive Adjustment	21,076	-	2	51,385	1,453	131	-	74,047
Y - Negative Adjustment	(22,558)	(12)	-	(2,534)	(13,886)	-	(16)	(39,006)
Total	**(1,482)**	**(12)**	**2**	**48,851**	**(12,433)**	**131**	**(16)**	**35,041**

Source: *AS400*

5. **Discrepancies between vendor orders versus vendor payments**

ISD uses the AS400 application to manage the ISD Office Supply inventory, as FAMIS and INFORMS have not been used for this purpose. Information does not automatically flow from AS400 to the financial system of record (INFORMS) and thus requires manual input by ISD staff. OCA inquired whether the Department reconciles data in the two systems to ensure that the revenues and expenses are properly recorded in INFORMS. ISD confirmed that the Department has a process to reconcile the AS400 customer sales revenue to INFORMS; however, ISD has no policy or procedure to reconcile AS400 vendor purchases to the INFORMS office supplies expenses.[55] Accordingly, OCA noted discrepancies between the amounts of vendor orders in AS400 and vendor payments in INFORMS that could not be justified.

According to best practices, reconciliations are a type of control that maintains the quality of data from the moment information is entered into a system until it is extracted and summarized for decision-making.[56]

6. **Unbilled Revenues for ISD Asset Management fees**

While reviewing the financial activity under ISD's fund G5017 (the fund where the Office Supplies Section resides), OCA identified a declining trend for Fiscal Years 2021 to 2023 compared to prior years (project ID03_CAP), which ISD uses to recognize the asset management fees that support the tags, title, and registration functions. OCA inquired about why the revenues were lower, and ISD stated that the Department realized that it did not bill for these revenues for Fiscal Years 2021

[54] TEAMS meeting conducted with ISD and ITD on March 28, 2024.
[55] ISD's December 13, 2023, response to OCA's Notice of Inquiry.
[56] Committee of Sponsoring Organizations. 2023. "ACHIEVING EFFECTIVE INTERNAL CONTROL OVER SUSTAINABILITY REPORTING (ICSR): Building Trust and Confidence through the COSO Internal Control—Integrated Framework." June 2023. Accessed March 27, 2024. https://www.coso.org/guidance-on-ic

to 2023.[57] The estimated total revenues that ISD has not billed for are the following (refer to ***Table 13***):

Table 13: Unbilled Asset Management Fees

Fiscal Year	Unbilled Asset Management Fees
FY 2021	$ 127,452
FY 2022	$ 134,792
FY 2023	$ 337,416
Total	**$ 599,660**

Source: *ISD*[58]

OCA concluded that the primary cause of the unbilled revenues was the absence of a policy or procedure and insufficient oversight by the Department.

Additionally, upon further investigation of the details that ISD used to support the $599,660 in unbilled asset revenues, OCA observed the following errors in the unbilled asset management fee estimate:

i. The estimate included capital items that were in "Suspended" status. Suspended items are capital assets no longer in service by the respective County Department. OCA inquired why ISD included these items in their estimate, and ISD stated that the inclusion of these items was an error.[59]

ii. The estimate included charges for intangible capital assets. OCA inquired why ISD included these items in their estimate, and the Department confirmed that only tangible capital assets should be charged.[60] Therefore, OCA concludes that the inclusion of intangible capital assets was an error.

iii. The estimate did not include charges for tangible capital assets that did not have a tag number. OCA inquired why ISD excluded these items from their estimate, and the Department stated the exclusion of these items was an error.[61]

Accordingly, the Fund Financial Statements from Fiscal Years 2021 through 2023 do not include the revenues associated with the asset management fees, which ISD has not yet billed County Departments at the time of this report.

[57] Email correspondence from ISD received on March 13, 2024.
[58] Email correspondence from ISD received on March 14, 2024.
[59] TEAMS meeting conducted with ISD on April 4, 2024.
[60] TEAMS meeting conducted with ISD on April 4, 2024.
[61] TEAMS meeting conducted with ISD on April 4, 2024.

B. SYSTEM AND PROCESS IRREGULARITIES

1. Non-Compliance with Data Retention Regulations

OCA requested historical cost information for vendor purchases from ISD to analyze the reasonableness of trends in the cost of inventory items and actual mark-ups charged to Departments. However, ISD communicated that it made a business decision not to maintain historical cost data on vendor purchases in AS400.[62] As such, OCA could not assess the trends in the cost of inventory items and determine if Departments were charged a mark-up of 11%, 20%, or another percentage.

According to Rule 1B-24.003 (1)(a), Florida Administrative Code Item #435, local government agencies are required to retain the transaction records details for a minimum of five (5) years after a transaction is completed.[63] ISD has not retained historical cost information for vendor purchases and historical price information for sales to County Departments and other customers. As such, ISD Materials Management is not in compliance with Rule 1B-24.003 (1)(a), Florida Administrative Code Item #435.

2. Limited use of Inventory Re-ordering functionality

OCA observed that AS400 has the functionality to recommend inventory re-order points by analyzing historical demand based on sales to Departments. However, ISD has chosen to rely on employee judgment that is not based on data when determining the re-order point of inventory, despite the availability of this functionality.

A systematic method of re-ordering based on data is more likely to lead to a more efficient inventory management process and transparency.

3. Incomplete Information on Orders and Deliveries

OCA observed that employees involved in inventory management do not input relevant data into AS400. When inventory is delivered to the Warehouse, staff may or may not enter any reference information attached to the delivery package in the "DELIVERY_TICKET_NO" field in AS400 (refer to ***Table 14*** below).

For instance, when inventory is delivered to the Warehouse, ISD staff sometimes enters the Invoice ID listed in the delivery package in the "DELIVERY_TICKET_NO" field in AS400. The "Invoice ID" is available in INFORMS and can be used to trace a transaction to AS400. However, OCA observed that the "DELIVERY_TICKET_NO" field is periodically filled with "None," year, packing slip number, vendor order, or other unrelated values in INFORMS. If ISD consistently entered the Invoice ID in the "DELIVERY_TICKET_NO" field in AS400, the Department may have been able to

[62] TEAMS meeting conducted with ISD on February 9, 2024, TEAMS meeting conducted on January 17, 2024, and email correspondence received from ITD on January 25, 2024.

[63] Florida Department of State. Division of Library and Information Services. Florida Administrative Code & Florida Administrative Register. 2023. "General Records Schedule GS1-SL For State and Local Government Agencies." June 2023. Accessed March 27, 2024. https://www.flrules.org/gateway/reference.asp?No=Ref-15394

reconcile purchases in AS400 to payments made in INFORMS. The absence of a policy that requires employees to enter relevant information from the delivery package into appropriate fields in AS400 has limited the ability to verify that the orders were received by the appropriate ISD staff and delivered to the requesting County Department.

Table 14: Inconsistent Staff Input in AS400 and INFORMS for Delivery Ticket No.

INFORMS 208_Payment Report				AS400 Transaction Data file	OCA Notes
SUPPLIER NAME	**INVOICE ID**	**LINE AMOUNT**	**PURCHASE ORDER**	**DELIVERY TICKET NO.**	
CVR COMPUTER SUPPLIES INC	0324499-IN	$ 1,283	0000073930	0324499-IN	Entered Invoice number
MAC PAPERS LLC	2023000130897	$ 51,145	0000083000	171831	Entered vendor order number
MAC PAPERS LLC	2023000015995	$ 40,000	0000076164	212846	Entered packing slip number
PAIGE COMPANY CONTAINERS INC	288048	$ 13,971	0000069721	None	Entered "None"

Source: *AS400 and INFORMS*

4. **Incomplete Information on Vendor Bids and Awards**

ISD staff conducts spot market bids periodically and subsequently updates AS400's "Stock Number Application" screen based on the results of the spot market bids. ISD staff update the "Unit Cost" (the current inventory item cost based on the spot market bid). However, ISD stated that other fields within AS400 can be updated, such as "Bid Number" (which is the "Contract ID" field in INFORMS) but are not (refer to ***Figure 16*** below).[64]

Because ISD does not require employees to enter relevant information such as bid (contract) number in the "Stock Number Application" from the spot market bid into appropriate fields, the ability to connect purchases to specific contracts, track contract usage and balances, monitor compliance with contract requirements is limited and can result in unplanned request for BCC action to extend or augment contracts.

[64] OCA site visit to ISD Office Supplies Warehouse on December 6, 2023.

Figure 16: Example of Fields that can be Updated in AS400

```
Date:  1-12-2024            STOCK NUMBER APPLICATION                    02
Time:  15:15:05           INTERNAL SERVICES DEPARTMENT
                           MATERIALS MANAGEMENT DIVISION          UPDATE MODE

       Stock Number: B-100
   Item Description: BADGE, name, stick-on, red border,
                     2 1/2" x 3 1/2" #NB-234
   Major Desc. Code: 0001                 Unit of Sale: Pack/100      1
 Item Mark-up Ratio: ____                   Unit Price:     $2.95
        Bid Number: RP7220-0/97             Bid Item: SOC
      Current Brand: MACO                      Model: #NB-234
Recommended Maximum:     5 Units             Minimum:     2 Units
 Maximum Inv. Level:  14 Days               Lead Time:  7 Days
         Shelf Life: 365 Days         Daily Demand Avg:          Units
     Primary Vendor: 954869308 _      Secondary Vendor:          _
      Purchase Unit: Pack        1     Purchase Unit:            0
          Unit Cost:     $2.630            Unit Cost:     $0.000
       Packing Unit: Ctn/20 Pk     20     Packing Unit:            0
     Purchase Order: *SPO                  Comm. Code:
         Group Code: 32                    Class Code: Y
    Last Updated By: APRINGLE          Last Updated On:  3-22-2023
```

Source: *AS400*

C. INTERNAL CONTROLS WEAKNESS

1. Improper Storage of Inventory Items with no Tracking

During OCA's planned site visit to the ISD Office Supplies Warehouse (Warehouse) on December 6, 2023, ISD stated that they store all inventory in the Warehouse. However, OCA visited the County Store (Store) on February 14, 2024, and observed that ISD stores paper, an inventory item, at the Store, not solely in the Warehouse. On February 28, 2024, OCA inquired of Department management about the rationale for storing paper at the Store, and they explained that due to a lack of storage space at the Warehouse, ISD made a business decision to keep the excess paper at the Store.

During our site visit, OCA did not observe controls for tracking items at the Store. Therefore, OCA inquired about how the Department ensures that the paper located at the County Store is tracked separately from the other store items for sale and how they verify that the same quantity transfers back to the Warehouse once space is available. ISD stated that it does not have a policy or procedure for tracking inventory items at the Store, unlike the inventory items at the Warehouse.[65]

This method of keeping Warehouse inventory items at the Store without proper tracking may expose the Department to shrinkage of its assets. OCA also reviewed the pool for the Countywide

[65] OCA site visit to ISD Office Supplies Warehouse and County Store on February 14, 2024, and TEAMS meeting conducted with ISD on March 28, 2024.

paper contract ("EVN0000389") and noted that there are no contractual constraints prohibiting drop shipping to Departments.

2. **Unrestricted Warehouse Access**

OCA observed that the security access measures in the Warehouse were being bypassed. The supplies inventory storage area (Warehouse) entrance has a key card reader that limits access to only authorized employees. However, the key card reader is not currently required to access the inventory storage area because employees have placed tape to prevent the door lock from engaging, allowing unrestricted ingress and egress to the supply inventory storage areas (refer to ***Figures 17 and 18*** below). OCA inquired about the tape on the door, and ISD stated that the tape is necessary since the vendor did not install the key card reader on the other side of the door.[66] However, OCA was unable to understand this rationale since the current layout allows unauthorized access to inventory in the Warehouse.

Unauthorized access could result in inventory shrinkage and allow unjustified access to computer systems and physical records which could lead to inaccurate inventory balances and financial discrepancies.

Figure 17: Picture of Warehouse Key Card Reader

Figure 18: Picture of Tape on the Door

Source: *OCA Warehouse Site Visit on February 14, 2024*

D. WAREHOUSE AND STORE OPERATIONS

OCA conducted site visits on December 6, 2023, and February 14, 2024, to gain insights into the ISD Office Supplies Warehouse and County Store operations. During the visits, OCA made the following observations:

[66] OCA site visit to ISD Office Supplies Warehouse and County Store on December 6, 2023, and ISD's March 26, 2024, response to OCA's Notice of Inquiry.

1. **Physical Inventory Count Discrepancies**

   i. One of the primary objectives was to check the number of items in stock against the number in the inventory management system, AS400. On December 6, 2023, OCA conducted a physical count of a selected sample of 29 items from the December 5, 2023, inventory listing provided by ISD and discovered some discrepancies. Specifically, out of the 29 items that OCA reviewed, 17 had actual quantities less than those listed in the inventory report, 10 had no differences, and two (2) had actual quantities more than those reported. Overall, the value for the 29 items OCA sampled was $193,000. This amount is significantly lower than the $576,000 value listed in the AS400 inventory report, resulting in a discrepancy of $383,000 or approximately 67%.

   For the items where OCA counted more, ISD explained that the additional items "could have been somewhere else" when ISD staff counted inventory. Items where OCA counted less were mainly related to paper stock items. OCA counted 1,076 across four (4) separate paper stock items valued at $63,000. However, the quantity reported in the AS400 inventory records for these four (4) separate paper stock items was 6,712 valued at $374,000. This resulted in a $311,000 discrepancy.

   OCA inquired about the discrepancy, and the Department explained that ISD initially setup paper in AS400 as a dropship item. This setup meant that when ISD ordered paper or made deliveries to Departments, updates to inventory levels in AS400 were not required. However, due to vendor requests during COVID, ISD made a business decision to halt dropshipping paper. As a result, ISD converted paper into an inventory item in the Warehouse but did not update its setup in AS400 to an inventory item. The lack of required updates in AS400 that should have accompanied its change to an inventory item caused paper stock levels to increase when ISD purchased paper but did not decrease when deliveries were made, resulting in AS400 overstating paper stock levels. It is important to recognize that conditions relevant to the COVID-19 pandemic may not be suitable for permanent adoption.

   Per best practices guidance from the GAO, "The results of the physical count can be measured several ways. Calculating an inventory record accuracy rate, summarizing the number and dollar value of adjustments, errors, or items counted, and tracking and analyzing error code frequencies are three ways to measure results."[67]

   ii. During our sample inventory count, OCA encountered instances where we could not locate specific items in the Warehouse. However, ISD staff promptly recalled their whereabouts. Specifically, OCA could not find item S-444, face masks, which showed a quantity of 17,748 valued at approximately $60,000 in the AS400 inventory listing. ISD recalled that the face masks were sent to the County Store since the masks were purchased in bulk during COVID and demand decreased in recent years.

[67] United States General Accounting Office. 2024. Executive Guide. Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Page 55. March 2002. Accessed March 1, 2024. https://www.gao.gov/assets/gao-02-447g.pdf

ISD explained that this issue stemmed from a system glitch requiring attention from ITD, and despite attempts at workarounds, the problem persisted.[68] However, during a meeting with OCA, ITD clarified that this issue was not a result of a system glitch or a system limitation but was caused by ISD staff using the wrong transaction code ("X") to make the adjustment in the system.[69] Moreover, ITD added that they were not alerted about a system issue nor any recorded trouble ticket requesting IT assistance.

As a result of OCA's inquiry, ISD created a new transaction code within AS400 ("Z" – To County Store) on January 26, 2024, to begin tracking items that are moved from the Warehouse to the Store. Without a code identifying items moved to the Store from the Warehouse, tracking these items in AS400 was not possible and could not be independently identified or verified by OCA.

iii. During the count, OCA observed that certain items in the Warehouse were not labeled, thus making it difficult to identify them in the inventory. In one instance, OCA tried to locate stock number S-450, a sports drink mix, but we could not find the item. However, ISD staff walked around the facility and located the item which was not labeled. OCA observed the staff member address this issue by writing the stock number on the unlabeled boxes. Unlabeled items pose a risk of inaccurate inventory levels, errors in order fulfillment, operational delays, as well as mismanagement of inventory. Refer to ***Figures 19 and 20*** related to this observation.

Figure 19: S-450 stock without label

Figure 20: S-450 stock labeled during count

Source: *OCA Warehouse Site Visit on December 6, 2023*

[68] OCA site visit to ISD Office Supplies Warehouse on December 6, 2023.
[69] TEAMS meeting conducted with ITD on January 24, 2024.

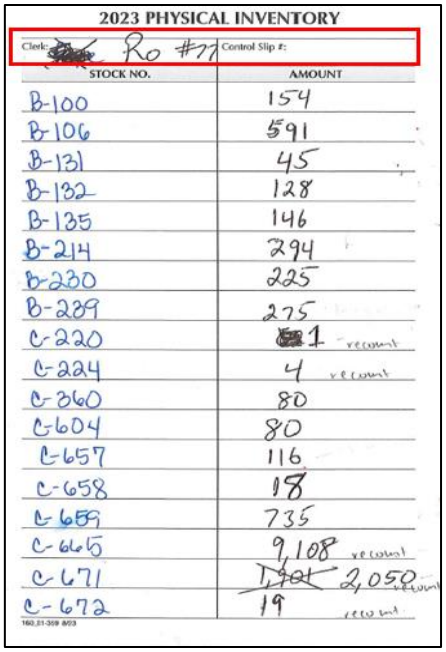
2. **Nonstandard Practices in ISD's Physical Inventory Count Process**

OCA observed that ISD does not have a consistent and automated process to conduct annual inventory counts that ensures every inventory item in the Warehouse is accounted for.

i. The current process involves ISD Staff (including the Warehouse Manager) being provided with sheets of paper (count sheets) to conduct the physical inventory count. OCA identified that these count sheets are not generated by AS400 (refer to ***Figures 21 and 22*** below). After receiving the count sheets, Staff walk the facility, identifying bins that contain inventory and writing down the quantity counted. OCA noted that the count sheet may or may not include the name of the counter or the bin number.

Figures 21 and 22: Figure 21 contains the Counter Number but no Bin Number, whereas ***Figure 22*** contains the Counter Number and the Bin Number.

Figure 21: FY 2023 ISD Count Sheet



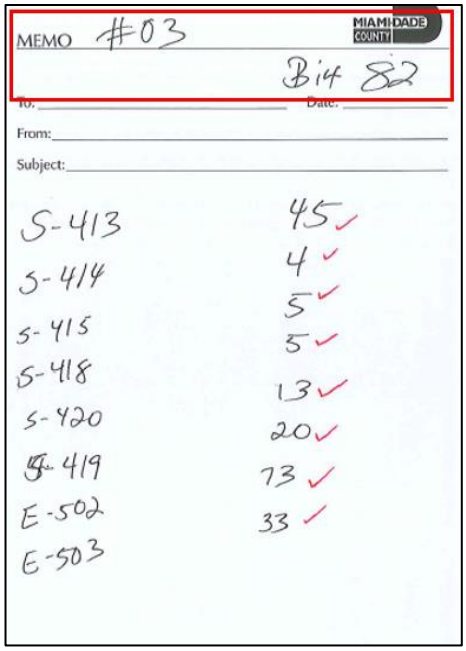
2023 PHYSICAL INVENTORY

Clerk: Ro #77 Control Slip #:

STOCK NO.	AMOUNT
B-100	154
B-106	591
B-131	45
B-132	128
B-135	146
B-214	294
B-230	225
B-289	275
C-220	1 recount
C-224	4 recount
C-360	80
C-604	80
C-657	116
C-658	18
C-659	735
C-665	9,108 recount
C-671	~~1,701~~ 2,050 recount
C-672	19 recount

160.01-309 8/03

Figure 22: "Memo" Count Sheet



MEMO #03 MIAMI-DADE COUNTY

Bin 82

To: Date:

From:

Subject:

S-413	45 ✓
S-414	4 ✓
S-415	5 ✓
S-418	5 ✓
S-420	13 ✓
S-419	20 ✓
E-502	73 ✓
E-503	33 ✓

Source: *ISD Materials Management – FY 2023 Miami Dade County Inventory Count Sheets*[70]

This method differs from best practices, which start the physical inventory count process by mapping and delineating the areas of the Warehouse where each counter will work and distributing inventory-to-be-counted printouts from the inventory management system.[71]

In addition, best practices guidance from the General Accounting Office (GAO) states, "segregation of duties is a type of control that reduces risk of error and fraud so that no single individual can adversely affect the accuracy and integrity of the count. The key areas in segregation of duties are (1) physical custody of assets, (2) processing and recording of

[70] Email correspondence from ISD received on March 13, 2024.

[71] Oracle NetSuite. 2024. Physical Inventory: Steps, Best Practices & Tips. August 2020. Accessed February 22, 2024. https://www.netsuite.com/portal/resource/articles/inventory-management/physical-counts-inventory.shtml

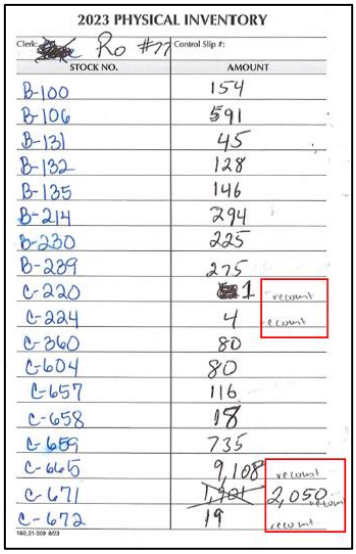
transactions, and (3) approval of transactions."[72] However, ISD's current process lacks segregation of duties given that the Warehouse Manager participates in the inventory count process.

When segregation of duties is not feasible, the GAO recommends implementing mitigating controls to reduce the risk of not being able to segregate duties amongst staff and management. Such mitigating control procedures include blind counts and increased supervision.[73] However, ISD does not perform blind inventory counts since the staff can view the inventory records during the count.[74] Also, ITD confirmed that AS400 is not currently programmed to produce blind count sheets for the Office Supplies Section inventory counts; however, AS400 does have the functionality to produce standardized blind count sheets.[75]

ii. ISD staff conduct recounts when they identify differences between the amounts reported in AS400 and the quantity counted. However, OCA observed that ISD does not consistently notate when staff performs recounts during the physical inventory count. Refer to ***Figure 23,*** which shows the items ISD identified as recounted, and ***Figure 24,*** which staff recounted according to ISD but are not identified as recounted in the pictures below.[76] Per best practices guidance from the GAO, establishing procedures, such as documenting recounts, helps ensure consistent and accurate compliance and application needed to achieve high levels of integrity and accuracy in the physical count process.[77]

[72] United States General Accounting Office. 2024. Executive Guide. Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Page 28. March 2002. Accessed March 1, 2024. https://www.gao.gov/assets/gao-02-447g.pdf
[73] United States General Accounting Office. 2024. Executive Guide. Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Page 28. March 2002. Accessed March 27, 2024. https://www.gao.gov/assets/gao-02-447g.pdf
[74] TEAMS meeting conducted with ISD on February 9, 2024
[75] Email correspondence from ITD received on March 27, 2024.
[76] Email correspondence from ISD received on March 13, 2024.
[77] United States General Accounting Office. 2024. Executive Guide. Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property. Page 16. March 2002. Accessed March 2, 2024. https://www.gao.gov/assets/gao-02-447g.pdf

Figure 23: Count sheet with recount notations by ISD staff

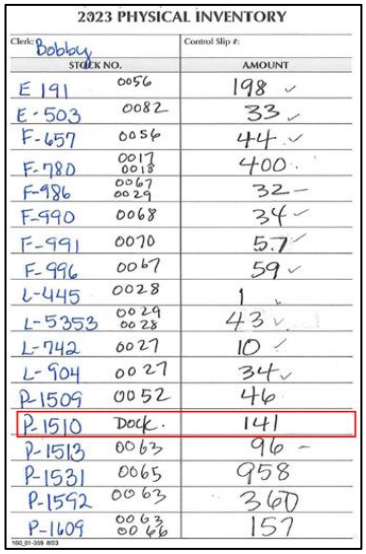


2023 PHYSICAL INVENTORY

Clerk: Ro #77 Control Slip #:

STOCK NO.	AMOUNT	
B-100	154	
B-106	591	
B-131	45	
B-132	128	
B-135	146	
B-214	294	
B-230	225	
B-289	275	
C-220	1	recount
C-224	4	recount
C-360	80	
C-604	80	
C-657	116	
C-658	18	
C-659	735	
C-665	9,108	recount
C-671	~~Dat~~ 2,050	recount
C-672	19	recount

Figure 24: Count sheet without recount notations



2023 PHYSICAL INVENTORY

Clerk: Bobby Control Slip #:

STOCK NO.		AMOUNT
E 191	0056	198
E-503	0082	33
F-657	0056	44
F-780	0017 0018	400
F-986	0067 0029	32
F-990	0068	34
F-991	0070	57
F-996	0067	59
L-445	0028	1
L-5353	0029 0028	43
L-742	0027	10
L-904	0027	34
P-1509	0052	46
P-1510	Dock.	141
P-1513	0063	96
P-1531	0065	958
P-1592	0063	360
P-1609	0063 0066	157

Source: *ISD Materials Management – FY 2023 Miami Dade County Inventory Count Sheets*[78]

iii. Once staff perform recounts and finalize quantities, they enter the amounts in AS400, which is not consistently reviewed and approved by ISD management. After which, ISD sends the finalized report to Finance to adjust the inventory balance of the office supplies in INFORMS.

OCA could not assess the accuracy of the finalized quantities entered in AS400, given that ISD lacks a final review process and final inventory quantities do not always match the count sheets. Refer to ***Figures 25 and 26*** below reflecting the inventory counts for stock number C-714, where OCA observed discrepancies between the quantity listed in the count sheets and the final quantity reported to Finance. The quantities on the three different ISD's count sheets and what ISD reported to Finance are the following:

ISD Quantity Reported to Finance (refer to ***Figure 25***)

- Reported Quantity: 1,000 items

ISD Quantities listed on the Count Sheets (refer to ***Figure 26***)

- Clerk Chalmes (#10) Counted a total of 1,936 items
- Clerk James: Counted a total of 1,000 items
- Clerk Ronel: Counted a total of 1,600 items

OCA inquired about the discrepancy, and the Department stated, "ISD is unable to recall the exact circumstances surrounding the count slips for item C-714."[79]

[78] Email correspondence from ISD received on March 13, 2024.
[79] ISD's March 26, 2024, response to OCA's Notice of Inquiry.

Figure 25: Quantity Of 1,000 For Item C-714 Reported In The Final Inventory Report

METROPOLITAN DADE COUNTY - FINANCE DEPARTMENT
PHYSICAL INVENTORY
DATE: 8-25-2023

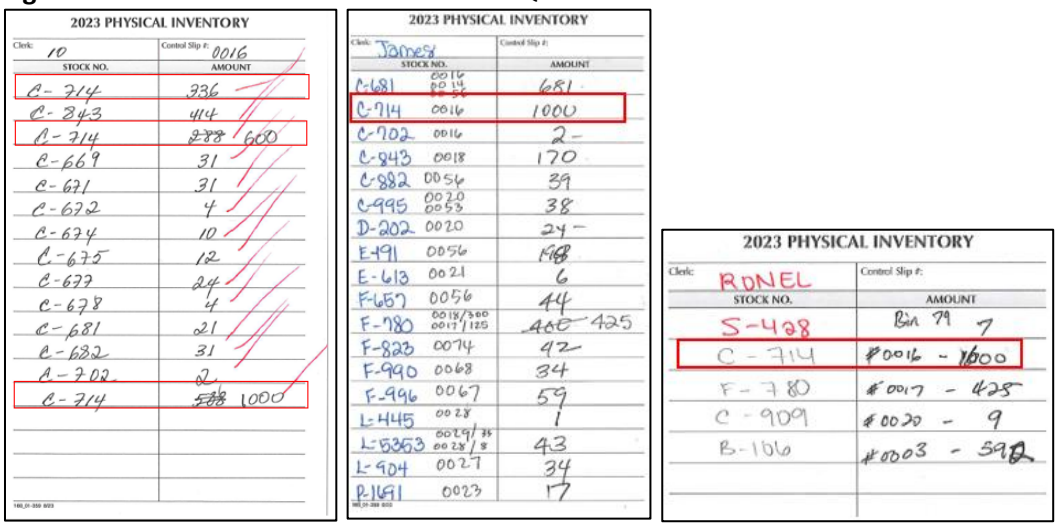
NO. 0010

DEPARTMENT: G.S.A. MATERIALS MANAGEMENT DIVISION LOCATION: 2225 N.W. 72 AVE. MIAMI, FLA. 33122
CALLED BY: GEORGE DORTA PRICED BY: COMPUTER CALCULATION
ENTERED BY: RAY PEREZ EXTENDED BY: COMPUTER CALCULATION

Stock Number	Sale Unit	Description of Item	Computer Balance	Diff. Comp/Phy	Check Item Init.	Audit	Phys. Count	Unit Cost	Total
C-682	Each	AIR DUSTER, disposable, non-flammable, ozone/enviroment safe 110284	29	33+			62	4.25	$263.50
C-702	Bx/50	CALCULATOR PAPER 2 PLY WHITE/CANARY CARBONLESS 2-1/4X3-1/16X100 NCR#85214	1	1+			2	65.32	$130.64
C-714	Bx/12	BINDER CLIPS, 3/8" x 3/4" Tempered steel with wire arms.(#10200)	1,941	941-			1,000	0.29	$290.00

Source: *ISD Metropolitan Dade County – Finance Department Physical Inventory Report*[80]

Figure 26: ISD Staff Count Sheets With The Quantities Counted For Item C-714



Source: *ISD Materials Management – FY 2023 Miami Dade County Inventory Count Sheets*[81]

3. **Aged Inventory**

OCA observed that inventory in the Warehouse included aged inventory (i.e., disinfectant spray) that ISD was unaware of until OCA identified them during the site visit on December 6, 2023. Aged inventory indicates that ISD might be stockpiling excessive amounts of certain items that have a low Inventory Turnover Ratio while using up limited Warehouse space that ISD could use to store other items.

Per communication with a Lysol representative, Lysol products "remain efficacious for its anticipated period of distribution and use...products are not meant to be stored for long periods or stockpiled."[82] During a site visit on February 14, 2024, OCA observed numerous Lysol

[80] Documentation received during OCA's site visit to ISD Office Supplies Warehouse on December 6, 2023.
[81] Email correspondence from ISD received on March 13, 2024.
[82] Email correspondence from Lysol representative received on March 10, 2024.

disinfectant sprays with a manufacturing date of January 18, 2020.[83] Refer to ***Figure 27***, which shows pictures of aged Lysol products that ISD stores in the Warehouse and sells to Departments.

Figure 27: Aged Lysol Products stored in the Warehouse

Source: *OCA Warehouse Site Visit on February 14, 2024*

4. **Process deficiencies at the County Store**

ISD Materials Management purchases office supplies for sale to Departments and other customers. However, certain stock items may remain on the Warehouse shelves and become obsolete due to a lack of demand. ISD may send these items to the County Store for disposal and sell them at a deep discount.

i. During a site visit at the County Store on April 9, 2024, OCA observed that the Point-of-Sale (POS) system used at the County Store was not assessed for Payment Card Industry (PCI) data security standards compliance. Specifically, ISD was unable to describe the steps performed by the Department to ensure PCI compliance nor provide any documented support for compliance with PCI standards. Moreover, OCA noted that ISD staff retain system passwords to the POS system on a post-it note in the register which could lead to unjustified access to POS records.

ii. As it relates to the controls for items sent to the County Store (Store), OCA observed that there was no standardized documentation for transferring items to the Store. For example, some Departments use pre-numbered Property Action Forms (PAFs), others use PAFs without numbers, and most recently, Departments have been using electronic fillable PDF PAFs. Additionally, OCA observed that ISD does not have a process to ensure that staff complete the PAFs with signatures and dates before filing (refer to ***Figure 28*** below) as detailed in ISD's Standard Operating Procedures (SOP) for the Business Services and Property Control Section (refer to ***Figure 29*** below). The PAF serves as evidence that Departments transferred items to

[83] OCA site visit to ISD Office Supplies Warehouse on February 14, 2024.

the Store. Without a complete and signed PAF, there is no way to verify if every item listed on the form was transferred to the Store, and no record of the staff who accepted the items into the Store.

Figure 28: Incomplete Property Action Form Accepted at the County Store

MIAMI-DADE COUNTY

PROPERTY ACTION FORM
Internal Services Department

REQUEST FOR: (check one) ☑ TURN IN (disposal) ☐ MOVEMENT ☐ ISSUE DATE: 10 / 6 / 22

DEPARTMENT/DIVISION NAME: Materials Management

AUTHORIZED SIGNATURE:

CONTACT PERSON: Felix Sarragua

PHONE: 305-263-5483 FAX: BUDGET CODE: SUB-OBJECT CODE: 43310

FOR ISSUES ONLY: Dept. TP03050200 Div. 056 Sec. 067 Add. Loc.

DO YOU NEED PICKUP OR DELIVERY SERVICE? ☐ YES ☑ NO EMERGENCY REQUEST? ☐ YES ☑ NO (Extra Fee for Emergency Service)

PROPERTY LOCATED AT: ADDRESS 2775 SW 74 Ave Miami, Florida FLOOR ROOM

DELIVER PROPERTY TO: ADDRESS 980 W 84th Street Hialeah, Florida FLOOR ROOM

LIST EACH ITEM REQUIRING ACTION:

Asset Tab # or Serial #	Description (or narrative, if necessary)	Qty.	ISD USE ONLY	Asset Tab # or Serial #	Qty	ISD USE ONLY
	T80303GA0003 GASKET, FAN DRIVE PUMP; NEW FLYER 9501-9525				2	
	T803075E0006 SEAL, OIL, REAR CRANKSHAFT, FLYWHEEL HOUSING; NEW FLYER 9500				1	
	T80101PU0003 PULLEY, ROLLER, TENSION, S616 A/C COMP.; NEW FLYER 9500 1				1	
	T80204HE0023 HEADLAMP, LOW BEAM; NEW FLYER 9501-25 1				1	
	T80204HE0024 HEADLAMP,				1	
	T80701HA0001 HARNESS,				2	
	T80303VA0011 VALVE, PRESSURE RELIEF 1/8" NPTF, SURGE TANK; NEW FLYER 9501-9525 1				1	
	T80813HA0001 HANDLE PULL, SLIDER WINDOW SASH, DRIVERS WINDOW; NEW FLYER 9500				3	
	T80502SE0015 SEAL, SHAFT, INNER, FRONT HUB; NEW FLYER 9501-9525 9				9	
	T80502WA0006 WASHER, BEARING, INNER, FRONT HUB; NEW FLYER 9501-9525 2				2	
	T80701BU0001 BUTTON, HORN; NEW FLYER 9501-9525 3 11F1 15				3	
	T80503CH0006 CHAMBER, BRAKE, ASSY., REAR CURB SIDE; NEW FLYER 9501-952				1	
	T80810AR0001 ARM ASSY, WIPER, STEETSIDE;				1	
	T803105C0014 SCREW, M6 X 1 X 35, HEX FLANGE HEAD CAP, FUEL INJECTOR; NEW FLYER 9501-9524				6	

DO NOT WRITE BELOW THIS LINE — FOR ISD USE ONLY

TIM #

PROPERTY REC'D/ISSUED (Cty. Store): DATE:

PROPERTY REC'D/ISSUED (ISD): DATE:

PROPERTY REC'D/RELEASED (DEPT.): DATE:

LABOR COST	VEHICLE COST	FURNITURE COST	ADMIN. COST	TOTAL COST
$	$	$	$	$

DATE	HOURS
/ /	
/ /	
/ /	
/ /	
TOTAL	
CODE 063132X	$
CODE 063150X	$
OTHER	$

Retain Gold Copy, send all others to: Internal Services Department
980 W. 84th Street, Hialeah, FL 33014

For emergency service Fax copy to: (305) 820-8544

Source: *ISD FY 2023 Property Action Forms*[84]

[84] Email correspondence received from ISD on February 13, 2023.

Figure 29: Extract of ISD's Standard Operating Procedures

Receiving

- All merchandise being turned in to the County store will have a Property Action Form with it detailing the Department information, item description, quantity, and serial numbers if applicable. If the item is Capital equipment, DC number must be entered on form.
- The Surplus Property Clerk will use the Property Action Form to take an inventory of equipment being turned in. Upon verification of quantities, serial/DC numbers, the Surplus Property Clerk will sign Property Action Form as an acceptance of items. County Store will give the Department a copy of the Property Action Form as a receipt for items and maintain a copy for their files. **All Property Action Forms must be physically completed and signed by a representative from the department turning in the items. No County Store employee will be allowed to complete any Property Action Forms other than the required signature acknowledging the acceptance of subject items.**

Source: *Standard Operating Procedures - ISD Business Services and Property Control Section*[85]

iii. OCA observed that the Store retains limited details of sales transactions, such as item description and unit of measure related to quantity sold within their point-of-sale (POS) system (refer to ***Figure 30***). Therefore, items arriving at the Store cannot be tracked after they arrive at the Store, which increases the risk of inventory shrinkage. Specifically, office supplies items do not have any unique identifier that can be used to track their movement after they are placed in the Store. For example, as seen in ***Figure 31***, OCA observed that the POS sales record shows one item as being sold. However, upon checking with ISD, OCA was notified that this record included sales of 42 items.[86]

Figure 30: County Store Point-of-Sale Detail

)6/14/22
3:25 PM

GSA County Store
Sales Detail

Date	Receipt #	Receipt T	Full Name	Qty Sold	Total	Payment	Tax	No. of I
6/14/2022	83172	Sales		1	107.00	Credit Card	7.00	1
247			Household App.	100.00				
6/14/2022	83173	Sales		1	10.70	Credit Card	0.70	1
215			Misc. Item	10.00				
6/14/2022	83174	Sales		9	60.99	Cash	3.99	5
147			Electronics	18.00				
124			Office Supplies	5.00				
99			Computer Equipment	2.00 2				
99			Computer Equipment	2.00				
215			Misc. Item	10.00				

Source: *County Store Point-of-Sale sales report*[87]

Figure 31: Sale of Asset per GSA County Store Sales Detail (POS)

)6/14/22
3:25 PM

GSA County Store
Sales Detail

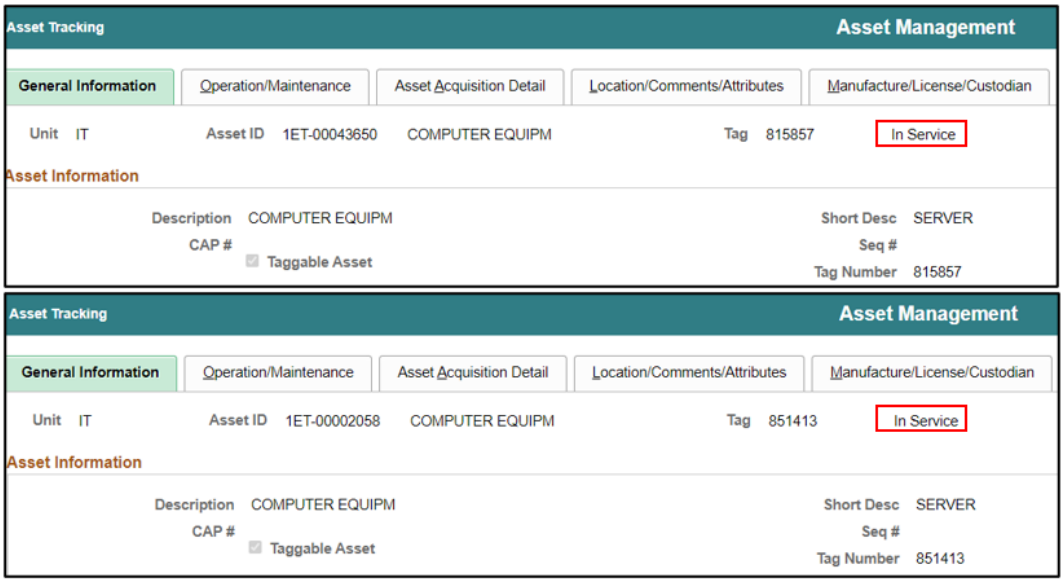
Date	Receipt #	Receipt T	Full Name	Qty Sold	Total	Payment	Tax	No. of I
6/14/2022	83157	Sales		1	2,675.00	Check	175.00	1
228			Computer Equipment	2,500.00				

Source: *County Store Point-of-Sale system*[88]

[85] ISD's January 30, 2024, response to OCA's Notice of Inquiry.
[86] Email correspondence received from ISD on March 27, 2024.
[87] OCA site visit to ISD Office Supplies Warehouse and County Store on February 14, 2024.
[88] OCA site visit to ISD Office Supplies Warehouse and County Store on February 14, 2024.

iv. OCA attempted to verify each of the 42 items sold under Receipt #83157 on June 14, 2022 (refer to ***Figure 31*** above) in INFORMS and observed that two items remained under "In Service" status as of March 24, 2024, instead of "Disposed" (refer to ***Figure 32*** below). "In Service" indicates that the asset exists and is currently utilized by a County Department. "Disposed" indicates that the asset has been sold. OCA inquired about the discrepancy, and ISD stated that the asset records were not updated in INFORMS when the items were sent to the Store nor when they were sold. ISD acknowledged that this was caused by a lack of oversight and that their processes have not been updated to accommodate the requirements of INFORMS.[89]

Figure 32: Asset profiles in INFORMS on March 24, 2024, for items sold on June 14, 2022



Source: *INFORMS*

v. To review the Store sales, OCA requested the Store POS transaction reports for FY 2021, FY 2022, and FY 2023, but ISD stated that in FY 2023, the POS system crashed. Therefore, according to ISD, they are unable to produce system-generated reports for the periods before the crash because the data was lost. The only records that ISD has of the sales prior to the crash are stored on paper in several boxes throughout the Store. This paper-based approach poses risks of document loss, damage, or misplacement.

Additionally, OCA inquired about the Department's established measures to recover and prevent the permanent loss of the POS sales details in the event of unforeseen circumstances. However, ISD confirmed that they do not have any policy or procedure to backup the POS data and have never considered it necessary for Store operations. OCA notes that due to ISD's lack of data retention measures, critical information essential for Store operations could become unrecoverable and ultimately lead to financial discrepancies.

[89] TEAMS meeting conducted with ISD on March 29, 2024.

E. MIGRATION OF ISD'S PURCHASES AND SALES TO INFORMS

1. Improper Review of Vendor INFORMS Integration Capabilities

OCA inquired with ISD, SPD, OMB, and ITD to understand why ISD does not manage the Office Supplies operation through the County's financial system of record (INFORMS). Based on communication from the aforementioned Departments, ISD's Office Supplies operation was included in the migration plan for INFORMS with the goal of discontinuing the use of AS400.[90] According to ISD, the Department stopped utilizing AS400 once the Finance Supply Chain Module (FSCM) went live in INFORMS in April 2021.[91] This method allowed Departments to directly purchase office supplies from Office Depot through the "punch out" configuration in INFORMS for approximately six months.[92] However, in response to the County's initiative to promote small business development, ISD made the decision to stop using the "punch out" configuration in INFORMS and revert to AS400.[93] The "punch out" configuration was established in INFORMS to allow Departments the ability to purchase office supplies directly from Office Depot. OCA's understanding is that this was due to concerns around competition and the ability of the small businesses to make their inventory accessible in INFORMS.[94]

OCA inquired about the rationale and market research that was performed to determine that small businesses would not be able to integrate into INFORMS in a similar "punch out" configuration, but none of the Departments involved in the integration process were able to provide justification.[95] OCA concluded that no market research was conducted to assess the capabilities of small business vendors integrating into INFORMS, which could have allowed for additional opportunities to streamline ISD's Office Supplies operation.

[90] OMB's April 1, 2024, response to OCA's Notice of Inquiry
[91] ISD's December 13, 2023, response to OCA's Notice of Inquiry
[92] ISD's October 26, 2023, response to OCA's Notice of Inquiry
[93] OMB's April 1, 2024, response to OCA's Notice of Inquiry, and TEAMS meeting conducted with OMB on April 8, 2024.
[94] OMB's April 1, 2024, response to OCA's Notice of Inquiry
[95] ISD's December 13, 2023, response to OCA's Notice of Inquiry and TEAMS meeting conducted with ITD on January 24, 2024, and OMB/SPD on April 8, 2024.

VI. CONCLUSION

The OCA's overall inferences and recommended enhancements to improve the management, effectiveness, and oversight of the County's Office Supplies pool contract have been noted in the respective observation areas in this report. However, an emphasis is being placed on the need for information system centralization and the automation of the various workflows needed to create a central point of congruence between the County's ordering and fulfillment cycle, Inventory Management operations, and the Financial System of Record (INFORMS). The improved oversight and information system centralization will be a critical success factor for meeting the goal of an efficient process, reducing the risk of inventory shrinkage, and improving the experience of County Departments who are the core customers.

Report produced by the Office of the Commission Auditor

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