



Department of Administrative Services Requisite Procurement Program

Audit Period: July 1, 2016 through September 15, 2016

Results Summary:

Objective	Conclusion
Procurement Review Processes	Well Controlled with Improvement Needed

* Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Office of Procurement Services (OPS) is held within the Department of Administrative Services' (DAS) General Services Division and is comprised of four units to assist state agencies with procurement processes. OPS includes the State Purchasing unit to assist with the procurement of supplies through competitive selection and negotiated contracts. Information Technology (IT) Procurement Services assists with the procurement of IT related supplies and services through competitive selection and negotiated contracts. Cooperative Purchasing extends the benefit of state contract pricing to participating political subdivisions, such as local governments, schools and universities. The Office of Procurement from Community Rehabilitation Programs (CRP) helps purchase supplies and services from work centers that employ people with disabilities.

The Fiscal Year 2016-2017 Operating Budget Bill required DAS to develop a requisite procurement review process. The purpose of the review process is to ensure that proposed agency purchases are not subject to one of the state's requisite procurement programs: Ohio Penal Industries, CRPs, Opportunities for Ohioans with Disabilities, the Office of Information Technology, State Printing and Mail Services, the Office of Support Services at the Department of Mental Health and Addiction Services, and the Ohio Facilities Construction Commission. Ohio Administrative Code (OAC) § 123:5-1-17, the first and second requisite procurement program, was approved by the Joint Committee on Agency Rule Review and became effective February 29, 2016. The rule establishes a purchase threshold of \$25,000 and enables the DAS Director or designee to issue a blanket waiver for specific types of purchases thereby exempting such purchases from the review requirements. For state fiscal years 2016 and 2017, a blanket waiver exempts purchases that reference a DAS state term contract and purchases covered by Blanket Release and Permits issued by OPS for state fiscal years 2016 and 2017. During the period July 1 through September 15, 2016, OPS received 215 requests to purchase (RTP) totaling \$1,125,038.

At the time of the review, DAS was in the process of building requirements for a Request for Proposal for an eProcurement system to advance the State's capabilities across governance, planning, sourcing, contract management and other procurement-related management disciplines. OIA performed a consulting engagement to evaluate implementation of the Next Gen eProcurement solution project in order to provide recommendations to mitigate risks, ensure compliance, and increase efficiency and effectiveness of operations. OIA provided DAS with observations and recommendations for the consulting engagement in a separate document.

During the audit, OIA identified opportunities for DAS to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the*



Professional Practice of Internal Auditing. OIA would like to thank DAS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over the agency's procurement review processes. This work was completed September through December 2016. The detailed objective is as follows:

- Evaluate the design and effectiveness of controls over the procurement review processes related to the Requisite Procurement Program.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusion.

* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee