PURCHASE ORDER LIMITS

SPECIAL AUDIT

JULY 1, 2005 THROUGH SEPTEMBER 30, 2005

CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT
August 11, 2006

The Honorable Mayor Dalton S. Edge and
   Members of the City Council
City of Chesapeake
City Hall--6th Floor
Chesapeake, Virginia 23328

Dear Mayor Edge and Members of the City Council:

We have completed our audit of Administrative Regulation 4.12 - Purchase Order Limits for the period July 1, 2005 to September 30, 2005. The purpose of this audit was to evaluate whether the City of Chesapeake (City) was complying with the requirements of Administrative Regulation 4.12 (Regulation), which delegated authority to Department and Agency Heads to purchase supplies or services from qualified vendors totaling $4,999.99 or less without the direct submission of a requisition to the Purchasing Division of the General Services Department. The Regulation was developed as part of the implementation of the City’s new PeopleSoft Financial Management System. The scope of the audit included reviews of compliance with competition requirements, requirements related to splitting of orders, and feedback on the system from key users. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

As part of Audit Services' FY 2006 audit plan, we agreed to audit the City’s compliance with the Regulation. To conduct this audit, we reviewed 107 purchase orders under the $5,000 limit that had been submitted to Finance for processing. We also reviewed 494 purchases that had been processed without using purchase orders both for compliance and to assess whether departments were splitting purchases to avoid competition requirements. Finally, we interviewed a number of key users within the departments to get their overall perspective on the system.

Based upon our review, it appeared that the City was generally complying with the requirements of the Regulation. We noted that Finance had processed purchase orders that were under the $5,000 limit without any competition exceptions. We also noted that City departments tended to utilize City and State contracts to the greatest extent possible when making purchases, even if purchase orders were not used.

"The City of Chesapeake adheres to the principles of equal employment opportunity. This policy extends to all programs and services supported by the City."
While our overall assessment of compliance with the Regulation was positive, there were some areas where practices could be improved. We noted that 27 of the 494 non-purchase order voucher transactions had not been properly subjected to competition, even though it appeared that there were City contracts that could have been created or adapted for some of them. We also found two instances of split ordering, one of which resulted in a duplicate payment. Finally we noted that, although users were reporting progress in their utilization of the system, they were still experiencing difficulties in understanding and processing transactions.

We would like to extend our appreciation to the City’s staff from the following departments for their assistance with this project: Finance, General Services, Police, Fire, Sheriff, Community Services Board, Public Works, Public Utilities, and Economic Development. They provided us with a great deal of insight as to how the Regulation was impacting the City.

A draft copy of this report was provided to Finance and General Services staff, and their comments have been considered in the preparation of the final report. Finance and General Services concurred with most of the report’s recommendations and have already begun implementing some of them. Their comments have been included in Appendix A.

Sincerely,

Jay Poole
City Auditor
City of Chesapeake, Virginia

C: Anne F. Odell, Acting City Manager
Amar Dwarkanath, Deputy City Manager
William M. Broome, Director of General Services
Nancy Tracy, Director of Finance
Managerial Summary

A. Introduction, Background, and Scope

We have completed our audit of Administrative Regulation 4.12 - Purchase Order Limits for the period July 1, 2005 to September 30, 2005. The purpose of this audit was to evaluate whether the City of Chesapeake (City) was complying with the requirements of Administrative Regulation 4.12 (Regulation), which delegated authority to Department and Agency heads to purchase supplies or services from qualified vendors totaling $4,999.99 or less without the direct submission of a requisition to the Purchasing Division of the General Services Department. The Regulation was developed as part of the implementation of the City’s new PeopleSoft Financial Management System. The scope of the audit included reviews of compliance with competition requirements, requirements related to splitting of orders, and feedback on the system from key users. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

According to the City’s training materials the “PeopleSoft Financial Management System” is an internet-based software application that gives organizations the tools that they needed to increase organizational effectiveness and manage and administer their workforces more effectively and more strategically. The City implemented the system effective July 1, 2005. The acquisition budget for the system, including hardware, software, and training costs, was $6,469,765.

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Responsible officials during our review were:

Nancy Tracy – Director of Finance
William Broome – Director of General Services
Victor Westbrook - Purchasing and Contracts Manager
Donna Hildebrand – Accounting Manager
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While our overall assessment of compliance with the Regulation was positive there were some areas where practices could be improved. We noted that 27 of the 494 non-purchase order voucher transactions had not been properly subjected to competition, even though it appeared that there were City contracts that could have been created or adapted for some of them. We also found two instances of split ordering, one of which resulted in a duplicate payment. Finally we noted that, although users were reporting progress in their utilization of the system, they were still experiencing difficulties in understanding and processing transactions.

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B. Operational Findings

As we noted, it appeared the City was generally complying with the requirements of the Regulation. However, while our overall assessment of compliance with the Regulation was positive, there were some areas where practices could be improved. These areas included competition on non-purchase order vouchers, split orders, and user concerns about the system.

1. Competition on Non-Purchase Order Vouchers

Finding – We noted that City departments had not properly sought competition on 27 (out of 494) non-purchase order voucher transactions.

Recommendation – Competition should be sought on all purchases where required, and the City should take steps to ease the purchasing process for some of these purchases.

Purchasing’s Response - The audit findings reflect many of the concerns we have expressed regarding the procurement process under the decentralized arrangement created during the PeopleSoft implementation. That arrangement created a separate process for purchases up to $4,999.99, and that process does not require Purchasing’s
participation or approval. Most of the transactions cited in the audit were in that category.

The full text of the department’s response is included in the audit report.

2. Split Orders

Finding – In reviewing purchases for transaction splitting, we identified one instance where competition had not been sought as required and another instance where a vendor was paid twice for the same invoice.

Recommendation – In addition to specifically addressing issues associated with these two transactions, the City should periodically review the PeopleSoft database for similar transactions.

Finance’s Response - The strength of the PeopleSoft system is in the built-in internal controls delivered in the software. A system control exists specifically to prevent invoices from being paid twice inadvertently by not allowing users to pay an invoice to the same vendor with the same number. To circumvent the system to pay this invoice, the user added the letters INV to the invoice number because the system rejected the original attempt to pay the invoice the second time.

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3. User Concerns

Finding – Several of the larger departments that were key users of the PeopleSoft system were still experiencing difficulty using and understanding the system.

Recommendation – The City should continue to make addition training opportunities available to users on the system.

Response - The Finance Department agrees with that finding and has implemented many different strategies to assist all departments and users that were experiencing some difficulties to assist in resolving their challenges with the new system.

The unique difficulty that presented itself to the City users was that the PeopleSoft web based program moved the City forward toward new technologies several generations ahead of the mainframe software program previously used by the City. This software moved the City to current best business practices. This generation of software will keep the City current on new technologies for a longer period of time and allow the City to save monies from avoiding as many additional implementations. However, this does provide challenges for employees that are not currently using web based browser software at a high level of ease. The Finance department identified this problem long before go live, and prepared a presentation to inform department heads of the various training options and set up several strategies to ease the transition.

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Objectives, Scope, and Methodology

To conduct this audit, we first reviewed purchase order transactions between $1,000 and $5,000 using the Purchase Order Activity Report (POP0009) dated October 20, 2005 available within PeopleSoft. After identifying 107 transactions that met the criteria within our audit period (July 1, 2005 to September 30, 2005), we then followed up with the Finance Department to determine whether the appropriate number of quotes had been solicited for the purchases.

We next reviewed vouchers which had been submitted to the Finance Department for payment that had not undergone the purchase order matching process because no purchase order had been prepared. These transactions were identified using a query report from the PeopleSoft database dated November 17, 2005. We identified 494 transactions from the audit period and reviewed these transactions to determine if sufficient competition had been solicited.

We then conducted the split order review by utilizing the same listing we had utilized for the vouchers without purchase orders. We then sorted the transactions by vendor and amount to determine whether split purchases had occurred.

Finally, in the course of asking questions about the transactions we were reviewing, we began receiving feedback from departments about the nature of entering and processing transactions using the system. We began cataloging these discussions so that they could be used to assist the City in evaluating future resource requirements related to the PeopleSoft system.
B. Operational Findings

As we noted, it appeared the City was generally complying with the requirements of the Regulation. However, while our overall assessment of compliance with the Regulation was positive, there were some areas where practices could be improved. We noted that 27 of the 494 non-purchase order voucher transactions had not been properly subjected to competition, even though it appeared that there were City contracts that could have been created or adapted for some of them. We also found two instances of split ordering, one of which resulted in a duplicate payment. Finally, we noted that although users were reporting progress in their utilization of the system, they were still experiencing difficulties in understanding and processing transactions.

1. Competition on Non-Purchase Order Vouchers

Finding – We noted that City departments had not properly sought competition on 27 (out of 494) non-purchase order voucher transactions.

According to Administrative Regulation 4.12, Section VI.a.2, departments were required to “conduct competition by obtaining three (3) or more quotations for the purchase of supplies and services from $1,000.00 and $4,999.99 per transaction.” Client-directed purchases and purchases against City or State contracts were exempt from this requirement.

We identified 494 payment transactions for which purchase orders had not been prepared that had been submitted directly to Finance using vouchers. In reviewing these transactions, we found that 27 of the transactions had not gone through competition as required. The 27 transactions were distributed as follows:

- Nine transactions for vehicle repairs where the final cost of the repair was unknown at the time services were requested.
- Seven transactions for food and supplies purchases where the department rotated the purchases among several different vendors
- Five transactions for uniform purchases where the department rotated the purchases among several different vendors
- Three transactions where the vendor had been used in the past and/or had previously held a City or State contract.
- Three transactions where the vendor was hired on an emergency basis to facilitate training or provide staff support.

While the direct cause of this situation was that the departments involved were not following the competition requirements, there were contributing factors for some of the cases that made departmental compliance more difficult or less likely. For example,
relative to the vehicle repairs, it appeared that the City had negotiated contracts for some repairs (such as engines) but not for others. Also, in the case of both the rotating food and supplies purchases as well as the rotating uniform purchases, the City did not appear to have explored the option of getting an individual contractor that could address departmental needs more comprehensively or whether other City contracts could be adapted for that purpose, particularly since there were City contracts that provided similar services. Finally, the City was not utilizing all of its Purchasing options within PeopleSoft, particularly the master contract listing that would allow users to access City contracts while they were using the system.

Because of this situation, the City may not have been receiving the best prices or terms on some of its purchases. In addition, the absence of a contract for certain routine purchases made the purchasing process more difficult than it needed to be.

**Recommendation** – Competition should be sought on all purchases where required, and the City should take steps to ease the purchasing process for some of these purchases.

During the PeopleSoft training sessions, users should be reminded of the importance of following the guidelines set forth by the Administrative Regulation. In addition, to ease the purchasing process for the departments, the City should consider the following actions:

- Attempt to develop contracts for the routine vehicle repairs for which contracts did not exist.
- Meet with the departments that are utilizing rotating vendors to see if their needs can be met by creating a single contract or adapting an existing City contract.
- Populate the Master Contracts Report within PeopleSoft to create a comprehensive listing of City and State contracts.

Taken together, these steps should help reduce the number of instances of noncompliance with the regulation while at the same time easing the purchasing process for many of the City’s key users.

**Response** - The audit findings reflect many of the concerns we have expressed regarding the procurement process under the decentralized arrangement created during the PeopleSoft implementation. That arrangement created a separate process for purchases up to $4,999.99, and that process does not require Purchasing’s participation or approval. Most of the transactions cited in the audit were in that category.

The conditions cited pertained to 27 instances of apparent departmental non-compliance with legal and administrative regulations. These involved procurement of vehicle repairs, rotation of vendors, and food and uniform purchases, and three emergency procurements.
Vehicle Repairs

These transactions – all under $5,000 – were not processed by the Purchasing Division. Nevertheless, we agree with the recommendation to establish additional contracts and, in fact, the process is already underway. We have asked the Garage to provide specifications to enable us to pursue competitive negotiations for a vehicle repair contract. When the Garage furnishes them, we will issue a competitive solicitation and expedite the process.

The Garage has already made significant progress to strengthening the procurement process. Attachment A is a sample transaction for vehicle repairs that shows three bids were obtained before authorizing repairs. When a quote exceeds $5,000 it is forwarded to Purchasing for review and processing. Other improvements since the audit include a contract for scrap metal, the development of specifications for hydraulic repair, small equipment repair, and marine repair.

Rotating Food and Uniform Purchases

Prior to the audit period, we negotiated a food services contract with Sysco Foods to supply the Conference Center primarily, but also the entire City. This contract was used during Hurricane Isabel. We advised all City departments about the existence of this contract, including the Tidewater Detention Home, and how to locate details about this contract on the CityNet ID/IQ (Indefinite Delivery/Indefinite Quantity) Contract Listing.

Contracts for uniform purchases were also posted on CityNet; in fact, we took the extra step of reminding departments that City policy requires them to use an ID/IQ contract if it meets their needs.

We negotiated the contracts in question to avoid these types of situations you identified in the audit report. The departments concerned need to comment on the specifics of the audit findings as they relate to that department.

Emergency Procurements

We were asked to approve three (3) such procurements when the Conference Center experienced an abrupt departure of key food and banquet employees. This defection occurred just before several major events, when the new Virginia Beach Convention Center came on line and recruited experienced key employees throughout the region at higher wages. Due to the disparity in comparative wages between cities, the contractor who supplied temporary workers could not replace them until the labor situation stabilized. The entire city suffered the same fate.

Because time was of the essence, only an emergency procurement could meet the need, so we approved them. However, once the immediate need was met and the labor situation normalized somewhat, we met with the contractor and reviewed the contract provisions to ensure that they provide a reliable workforce
in the future. We are currently working with the Human Resources Department to change the contract for hiring temporary staff.

Regarding departments’ ability to comply with administrative regulations

The findings concede that “…the direct cause of this situation was the failure of the departments to comply with requirements for competitive bidding,” but it suggests there are contributing factors that affect departments’ ability to comply. Those contributing factors are not stated, but it is appropriate to point out here that the Purchasing Division has been proactive in promoting compliance wherever possible. We have:

- Posted negotiated contracts on CityNet and reminded departments to use them;
- Distributed memoranda reminding the departments of their responsibility to follow the guidelines presented in the PeopleSoft Procurement Road Map;
- Conducted group and individual training on procurement and compliance issues;
- Posted materials and City ordinances on CityNet and notified departments;
- Continued to encourage the departments to suggest any additional training they feel they need to perform their new procurement-related responsibilities.

With regard to training, we have also assumed the burden of providing procurement-related PeopleSoft training to individual departments, when requested. So far, we have held such individualized sessions for Human Services, Clerk of the Court, City Manager’s Office, Public Works, Public Utilities, and Community Services Board. Clearly, training is the key to understanding the procurement process and PeopleSoft, but we are constrained by the lack of resources.

With regard to the comment that the City is not utilizing all of its purchasing options within PeopleSoft – such as the master listing allowing users to access City contracts – the required functionality is available as one of the e-procurement modules purchased by the City; however, complete funding is not available for implementation. Additionally, the PeopleSoft software is currently undergoing “patches and fixes,” implementation of the budget module, and an upgrade to the current version. None of this was predicted prior to implementation. It may be well after all these changes to software that we can implement e-procurement. We will; however, pursue this with the PeopleSoft Steering Committee. We hope the e-procurement module can be implemented in the relative near future. However, if this functionality is not implemented, carrying out the recommendation will require keying thousands of contracts into the system manually. This, too, requires resources that we currently don’t have.
2. Split Orders

Finding – In reviewing purchases for transaction splitting, we identified one instance where competition had not been sought as required and another instance where a vendor was paid twice for the same invoice.

According to Administrative Regulation 4.12, Section II.d., splitting transactions is defined as “Placing a series of orders with one vendor to remain under the $4,999.99 limit of purchases.” Section IV.b. states, “Orders shall not be split or favoritism shown to vendor selection.”

We identified two transactions that appeared to be split. In one instance the vendor, who previously had held a City contract, provided loss prevention tabs to a City department. The purchase totaled $5,927, but the cost was split up among six operating units within the department so that the charge to each unit was under $1,000. This situation occurred because the department was exploring alternative sources for the tags, and needed tags to use until a new permanent source could be identified.

In another case, a department submitted a restaurant equipment voucher for payment with a supporting invoice on September 6 for $865.82, and submitted another voucher on September 12 for the same amount. In reviewing the supporting invoice for the second voucher, we noted that it was the same invoice number that had been submitted for the first voucher. We later confirmed that this invoice had in fact been paid twice. This situation occurred because payment was delayed on the first voucher, and the department submitted a second voucher to meet the payment deadline, adding the letters “Inv” to the invoice number in the invoice number field the second time so that the voucher would be processed. Ironically, the second voucher was paid on September 23, and the first voucher wasn’t paid until October 5.

These situations worked against the City for a number of reasons. In the first instance, the City was not receiving the benefit of a contract and was technically violating the Regulation. In the second instance, the vendor involved did not provide the City with a credit until the City notified them of the transaction. Thus, it was possible that the City may not have received an appropriate credit for the duplicate payment.

Recommendation – In addition to specifically addressing issues associated with these two transactions, the City should periodically review the PeopleSoft database for similar transactions.

Relative to the first purchase, the department should obtain a contract as soon as it decides on the best security alternative. In the second instance, steps should be taken to ensure that the invoice number entered into the system contains only the invoice number and nothing else. In addition to these steps, the Accounts Payable staff should periodically review payments processed to ensure that similar transactions have not occurred. These steps will help ensure that split orders are kept to a minimum and any inappropriate payments that inadvertently get processed are properly addressed.
Response – The strength of the PeopleSoft system is in the built-in internal controls delivered in the software. A system control exists specifically to prevent invoices from being paid twice inadvertently by not allowing users to pay an invoice to the same vendor with the same number. To circumvent the system to pay this invoice, the user added the letters INV to the invoice number because the system rejected the original attempt to pay the invoice the second time. This rejection of the system to allow the invoice to be paid the second time was a beneficial internal control. The Finance Department believes there are two type of controls provided. One type of control is to prevent fraud and the other type of control is provided to prevent inadvertent error. This control falls under the latter category. Users were taught how to use the reports to search for vouchers that may be duplicated, and finally, the users were trained in the inquiry tools available in the PeopleSoft system. A specific JOB AID (see attachment) has been prepared to educate users on how to avoid this exact problem.

There is also a method to research all invoices keyed to be paid and the expectation is that had users been more comfortable with the system either of these three tools could have avoided this problem. However, the ease of use for this system will take time. The additional control external to the software is that departments may not pay from invoice copies, they must pay from originals. Following this process would have precluded this invoice from being paid twice as well.

A specific search for duplicate invoices would be handled best by the departments. Finance would lack both the staff and the knowledge of what vendors were vulnerable to potential duplicate payments.

3. User Concerns

Finding – Several of the larger departments that were key users of the PeopleSoft system were still experiencing difficulty using and understanding the system.

According to the City's PeopleSoft Training Manual, one of the purposes of the software was “to increase organizational effectiveness and manage and administer their workforces more effectively and more strategically”. In addition, the manual indicated that the benefits of the system included providing Budgetary (Commitment) Control, automating redundant processes, and enhancing data management capabilities.

During our audit, we contacted a number of the larger departments within the City including Police, Fire, General Services, Community Services Board, Conference Center, and the Sheriff, to get answers to our questions about specific transactions. In providing answers to our questions, many of the users provided perspectives on their own utilization of the new system. While we did hear a number of positive comments and noted that users were slowly becoming more comfortable with the system over time, the overwhelming majority of the comments raised or expressed concerns. Some of the comments were as follows:
“Grants had not been set up within the system, so General Fund Revenues had to be used to cover grant expenses.” (This situation was later addressed by Finance)

“There wasn’t sufficient responsiveness to PeopleSoft problems.”

“Staff needs refresher training.”

“I don’t know who to call about certain issues.”

“I don’t understand the flow from beginning to end.”

“Things take longer to process.”

“Need more training on queries.”

“It is difficult to do partial payments.”

“Staff is having problems keeping up.”

Perhaps the most indicative comment came in the form of a compliment: “The system is user friendly as long as you know what you are looking for.”

This situation appears to be a result of the functional differences between the City’s previous mainframe financial system and the web-based PeopleSoft system. While the functionality of the PeopleSoft system was clearly superior, its setup and layout were generally perceived as more complex by most City users and thus more difficult to operate and/or navigate.

As a result of this situation, many users in the City were experiencing frustrations in using the system. In addition, the system’s benefits were not being fully realized. For example, within the non-purchase order voucher transactions we reviewed, we identified 172 transactions that were made against established City and State contracts. Even though these purchases were made against established contracts, the benefits of Commitment Control were not being realized on them.

Recommendation – The City should continue to make additional training opportunities available to users on the system.

To address this situation, the City has been providing additional workshops, classroom training, Linkage, user group meetings, and a help desk, and also produces a periodic newsletter that is e-mailed to all of the system users. Also, the City has contracted with its implementation facilitator to provide an additional three months of help desk assistance.

We believe the City should continue to provide this assistance and should give strong consideration to extending the implementation facilitator assistance agreement.
In addition, the City should continue to make additional training available on an individual department basis, make sure that departments are aware of the training opportunities, and stress the importance of continued education and training on the system at all levels of the organization. Hopefully, the continuation of these training opportunities will continue to increase the level of comfort that the users have with the system.

Response - The Finance Department agrees with that finding and has implemented many different strategies to assist all departments and users that were experiencing some difficulties to assist in resolving their challenges with the new system.

The unique difficulty that presented itself to the City users was that the PeopleSoft web based program moved the City forward toward new technologies several generations ahead of the mainframe software program previously used by the City. This software moved the City to current best business practices. This generation of software will keep the City current on new technologies for a longer period of time and allow the City to save monies by avoiding as many additional implementations. However, this does provide challenges for employees that are not currently using web based browser software at a high level of ease. The Finance Department identified this problem long before go live, and prepared a presentation to inform department heads of the various training options and set up several strategies to ease the transition.

In coordination with the Information Technology Department, a special e-mail account hotline was set up that allowed users to send an e-mail which would create a helpdesk ticket to allow a prioritized response. Next, an employee with the City who was an expert was assigned the question and either called or e-mailed the user with a response. This allowed the users to receive a hot line number for their problem to go to an expert with immediate notice. When this option began to receive more calls than could be handled promptly, the request was made to Dr. Cuffee to add an additional consultant to assist. Dr. Cuffee agreed and this sped up the response back to the users while this consultant was on site.

The Finance Department also learned that users preferred to have an expert by their side when experiencing a problem rather than on the phone. While this was an expensive option, the Department created a “SWAT” team that scheduled visits to each requesting department by one or two experts. This team would visit the department experiencing questions to sit beside the users and steer them through the software screen by screen. The additional consultant support also was used for onsite visits.

An internal control had been identified during the implementation that suggested the users’ system passwords should expire every 30 days, however, when users became frustrated with sign on problems inherent in the software,
Finance Department chose to extend the expiration date of user passwords to eliminate any navigation problems.

Additionally, the system was scheduled to bounce users out of the software after a specific time period as an additional internal control. Since users were experiencing sign on problems, the Finance Department chose to extend the specific time period used to bounce users out of the system to alleviate unnecessary frustrations as well.

The Finance Department created a myriad of levels of training opportunities for users and encouraged users to take advantage of any or all levels.

The first opportunity was to attend a LINK workshop in the Information Technology (IT) training room offered approximately every two weeks. Users were encouraged to bring their problems with them and their problem vouchers and to work with the system hands on in the computer lab. Users could work through resolving problems first in a test system before making permanent changes in the live system. The LINK User group meeting meets every quarter to answer general questions and train in any areas where users are having questions. The advanced level of training is held at the LINKage group meeting for the Accounting Group Experts. This group tackles questions at a more advanced level and has received training and insight that is much more detailed.

Another level of training that was provided was titled a JOB AID. This type of training tool was a one page quick guide meant to be kept right beside the user’s desktop computer. These tools walked the user through a process step by step that was expected to be highly important or to be used frequently. They were printed on heavy weight paper in color to stand out from other papers on users’ desks and were meant to be readily accessible. As users formed opinions about what processes were important to them, the Finance staff produced and wrote JOB AID’s on topics recommended by users in addition to the ones that were anticipated in advance as important.

A weekly newsletter is published by the Finance Department that contains all manner of tips, tricks and information pertaining to PeopleSoft that is e-mailed to all users, entitled QUICK LINKS.

In addition to all of the above options, an online help tool was made available to users at the time of sign on to the PeopleSoft system that provides customized help through tutorial steps for processes performed in PeopleSoft. This tool was purchased and released to users and is updated with new information, tips, and JOB AIDs.

The goal of the Finance Department is to provide a multitude of training options to coach users to reach the same level of confidence with the system that existed for them with the less capable mainframe system.
APPENDIX A

RESPONSES FROM

GENERAL SERVICES DEPARTMENT

AND

FINANCE DEPARTMENT

OFFICIALS
MEMORANDUM

TO: Jay Poole, City Auditor

FROM: Nancy C. Tracy, Director of Finance

DATE: June 15, 2006

SUBJECT: Response to Purchase Order Limits - Special Audit

The Department of Finance reviewed the Special Audit on Purchase Order Limits for the time period of July 1, 2005 through September 30, 2005 and agrees with most of the report’s recommendations and has begun the implementation of many practices to address the issues identified in the report.

FINDING #2- part two – Split Orders

Finding – “… and another instance where a vendor was paid twice for the same invoice.”

The strength of the PeopleSoft system is in the built-in internal controls delivered in the software. A system control exists specifically to prevent invoices from being paid twice inadvertently by not allowing users to pay an invoice to the same vendor with the same number. To circumvent the system to pay this invoice, the user added the letters INV to the invoice number because the system rejected the original attempt to pay the invoice the second time. This rejection of the system to allow the invoice to be paid the second time was a beneficial internal control. The Finance department believes there are two type of controls provided. One type of control is to prevent fraud and the other type of control is provided to prevent inadvertent error. This control falls under the latter category. Users were taught how to use the reports to search for vouchers that may be duplicated, and finally, the users were trained in the inquiry tools available in the PeopleSoft system. A specific JOB AID (see attachment) has been prepared to educate users on how to avoid this exact problem.

There is also a method to research all invoices keyed to be paid and the expectation is that had users been more comfortable with the system either of these three tools could have avoided this problem. However, the ease of use for this system will take time. The additional control external to the software is that departments may not pay from invoice copies, they must pay from originals. Following this process would have precluded this invoice from being paid twice as well.
A specific search for duplicate invoices would be handled best by the departments. Finance would lack both the staff and the knowledge of what vendors were vulnerable to potential duplicate payments.

**FINDING #3- User Concerns**

In response to the finding that identified that, “…several of the larger departments that were key users of the PeopleSoft system were still experiencing difficulty using and understanding the system.”

The Finance Department agrees with that finding and has implemented many different strategies to assist all departments and users that were experiencing some difficulties to assist in resolving their challenges with the new system.

The unique difficulty that presented itself to the City users was that the PeopleSoft web based program moved the City forward toward new technologies several generations ahead of the mainframe software program previously used by the City. This software moved the City to current best business practices. This generation of software will keep the City current on new technologies for a longer period of time and allow the City to save monies from avoiding as many additional implementations. However, this does provide challenges for employees that are not currently using web based browser software at a high level of ease. The Finance department identified this problem long before go live, and prepared a presentation to inform department heads of the various training options and set up several strategies to ease the transition.

In coordination with the Information Technology department, a special e-mail account hot line was set up that allowed users to send an e-mail which would create a helpdesk ticket to allow a prioritized response. Next, an employee with the City who was an expert was assigned the question and either called or e-mailed the user with a response. This allowed the users to receive a hot line number for their problem to go to an expert with immediate notice. When this option began to receive more calls than could be handled promptly, the request was made to Dr. Cuffee to add an additional consultant to assist. Dr. Cuffee agreed and this sped up the response back to the users while this consultant was on site.

The Finance department also learned that users preferred to have an expert by their side when experiencing a problem rather than on the phone. While this was an expensive option, the department created a “SWAT” team that scheduled visits to each requesting department by one or two experts. This team would visit the department experiencing questions to sit beside the users and steer them through the software screen by screen. The additional consultant support also was used for onsite visits.

An internal control had been identified during the implementation that suggested the users’ system passwords should expire every 30 days, however, when users became frustrated with sign on problems inherent in the software, the Finance department chose to extend the expiration date of user passwords to eliminate any navigation problems.
Additionally, the system was scheduled to bounce users out of the software after a specific time period as an additional internal control. Since users were experiencing sign on problems, the Finance department chose to extend the specific time period used to bounce users out of the system to alleviate unnecessary frustrations as well.

The Finance Department created a myriad of levels of training opportunities for users and encouraged users to take advantage of any or all levels.

The first opportunity was to attend a LINK workshop in the Information Technology (IT) training room offered approximately every two weeks. Users were encouraged to bring their problems with them and their problem vouchers and to work with the system hands on in the computer lab. Users could work through resolving problems first in a test system before making permanent changes in the live system. The LINK User group meeting meets every quarter to answer general questions and train in any areas where users are having questions. The advanced level of training is held at the LINKage group meeting for the Accounting Group Experts. This group tackles questions at a more advanced level and has received training and insight that is much more detailed.

Another level of training that was provided was titled a JOBAID. This type of training tool was a one page quick guide meant to be kept right beside the user’s desktop computer. These tools walked the user through a process step by step that was expected to be highly important or to be used frequently. They were printed on heavy weight paper in color to stand out from other papers on users’ desks and were meant to be readily accessible. As users formed opinions about what processes were important to them, the Finance staff produced and wrote JOB AID’s on topics recommended by users in addition to the ones that were anticipated in advance as important.

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Attachment

C:  Anne F. Odell, Acting City Manager
    Bill Broome, Director of General Services