



# Town of Trumbull Purchasing Cycle Review

**TOWN OF TRUMBULL, CT**

August 4, 2017  
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Financial/Accounting Controls Analyst



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Mrs. Elaine Hammers, Chairperson  
Town of Trumbull Board of Finance  
5866 Main Street  
Trumbull, CT. 06611

Dear Mrs. Hammers,

I respectfully submit the enclosed report entitled Town of Trumbull – Purchasing Cycle Review.

The objectives of this audit were to:

- Ensure that purchasing and disbursements are accomplished in accordance with Town of Trumbull governing policies and procedures,
- Evaluate the adequacy of the internal control environment related to purchasing and disbursement processes.

I would like to thank Maria Pires and the Finance Department for their assistance in the completion of this report.

Respectfully submitted,

Therese Keegan  
Financial/Accounting Controls Analyst

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## Introduction

Purchasing guidelines are specified in the 2011 Town of Trumbull Charter in Chapter III, Section 6G. The Charter and “The Purchasing Policies and Procedures of the Town of Trumbull”, effective October 1, 2011, were used as reference for the preparation of this report. The report is entitled Town of Trumbull - Purchasing Cycle Review and it is intended to address the multiple steps required in an efficient and controlled Purchasing Cycle, from requisition to the vendor database.

## Scope and Methodology

In order to review transactions that had fully passed through the purchasing cycle, we start at the end of the cycle, at payment, and work backward to ensure procurement was compliant with the Purchasing Policy.

1. A disbursements journal was obtained for the 2016 calendar year. A summary of the year’s disbursements is as follows:

	< \$1k	\$1k - \$9,999	> \$10k	Total
Number of disbursements	9,990	1,972	505	12,467
Value of disbursements	2,216,552	6,190,335	31,998,881	40,405,768
Number of vendors	659	474	243	1,376

From the 2016 journal, disbursements to 33 vendors were judgmentally selected for testing. Disbursements of less than \$1,000 were omitted from the sample.

Payments to these selected vendors totaled \$17,304,975 for the 2016 calendar year. From this sample of vendors, individual checks totaling \$2,342,867 were traced back through purchasing guidelines to ensure internal controls safeguard Town funds and ensure adherence to the Purchasing Policy.

2. In addition to the actual payment process, this audit reviews the vendor database, a window into the Town’s finances. As of the February 2017 fieldwork, the database contained the following:

Vendor Designation	Number	Definition
Active	10,399	A = active: current established vendor
Multiple addresses	3,613	Multiple addresses
Inactive	19	I = Inactive: newly created/not yet approved; does not prevent use
One time pay	3	O = one time pay: use to pay multiple recipients
Stop	42	S = stop: prevents use of vendor
Temporary	767	T = temporary: used for a period of time then deleted
Total records	<u>14,843</u>	

The database was reviewed for appropriateness of internal controls related to:

- New vendor setup process
- Accuracy and completeness of vendor database
- Segregation of responsibilities
- General database maintenance

## **Purchasing Process**

In the most simplified form, purchasing guidelines are as follows:

Anticipated Expenditure	Action
\$1.00 - \$999	Purchase order issued to the supplier offering the lowest price for good quality and delivery
\$1,000 - \$9,999	Secure at least three written price quotations or proposals
\$10,000 or more	Purchasing Department issues a Formal Published Solicitation requesting a Sealed Bid or Proposal

The Director of Finance is the purchasing authority for the Town. The current Purchasing Policy is illustrated in the Appendix, and a comprehensive summary of purchasing guidelines is available in the final pages of this report.

## **Findings & Recommendations**

### **A. Procurement Compliance**

Test data, excluding vendor names, is included in the Appendix.

**Finding #1:** The following issues were identified during procurement testing. Some of these issues may require written clarification, user training, or updates to the Purchasing Policy:

- Purchase orders are generated in MUNIS upon Finance’s approval of a Department’s requisition. The use of purchase orders encumber funds so budget lines are not exceeded. Additionally, purchase orders ensure:
  - oversight related to the need for a particular purchase,
  - documentation of proposed vendor and pricing is complete and appropriate,
  - purchasing policy compliance based on the amount of the purchase
  - account number accuracy.

12/33 (36%) of disbursements tested occurred without purchase orders. At times the invoice or check request was returned to the requesting Department for a purchase order, but vendor payments are generally not held should this not occur.

- Department personnel request purchase orders through MUNIS via requisitions which flow to the Assistant Director of Finance. Prior to approval, Assistant Director ensures backup documentation is appropriate and complete, amount is available in budget and account number is accurate.

Testing of requisitions for completeness was not performed. Per discussions with the Director of Finance and the Assistant Director of Finance, a considerable percentage of requisitions require rejection, discussion and resubmission prior to subsequent approval. The back and forth between requesting departments and reviewers unnecessarily adds time to the purchase order process.

- Requests for increases to purchase orders do not flow to the Assistant Director of Finance for approval. These requests are sent directly to the Purchasing Agent, who is authorized to approve, regardless of amount, if documentation is provided.
- Rather than obtaining bids or quotes for purchases, blanket purchase orders were used for 3 vendors. Bid waivers were not obtained. The Policy does not address whether a blanket purchase order can be prepared for an amount exceeding quote/bid requirements.

2016 Total	Tested Amount	Dept.	For
70,593.99	2,549.22	Library	Books
33,204.03	4,082.03	EMS	Supplies
7,429.85	3,506.98	Parks	Supplies

- Two of the vendors tested were contracted based upon State of Connecticut bid results. Per the Purchasing Policy this is not disallowed, however, based upon differing volume requirements and the availability of local vendors, these purchases may or may not result in lowest price or best service available. Purchase orders were not prepared for either of these vendors:

2016 Total	Tested Amount	Dept.	For
27,558.06	27,558.06	IT	New ISP
10,005.00	1,455.00	Sr. Ctr.	Meals on wheels

- The use of the Home Depot credit card may incentivize “habit buying” and override the requirement of quoting or bidding certain individual purchases. Individual 2016 Home Depot purchases totaling \$43,608 were accomplished without a bid, quotes or waiver.
- There is currently no documentation limiting timing requirements, scope or dollar limit on the use of on call vendors. On call vendors can be selected for work that might be provided for less should a high dollar job be sent to bid.
  - As a matter of convenience the Finance Department requested attachment of purchasing related documentation directly into the vendor records in MUNIS. Although ultimately all requested testing documentation was located, 10/33 (30%) of the requisitions submitted had no documentation available for review in MUNIS.

**Recommendation:** The Town may wish to form a Committee to decide how they wish to address each of the above issues. To add consistency of application, the Committee may decide to clarify the Policy or add language to address.

**Management Response:** The Finance department will be forming a committee to amend the policy to provide more clarification and to change the bidding thresholds.

B. **Database maintenance** – the vendor database represents a window into the finances of the Town and therefore must be protected against error and fraud. The database, as well as any additions or changes to the database should include the following:

- Review and approval
- Routine maintenance
- Segregation of duties

**Finding #2:** The vendor database is not routinely purged of unused vendors. “Purging” is a common and recommended method of deleting unused vendor’s records from the accounting system.

The current database consists of almost 15,000 line items. There are currently 10,399 active vendors with 3,613 multiple addresses from which to choose.

Disbursements were made to 1,376 of these vendors during the 2016 calendar year. Going back three years 1,594 vendors have had activity.

Lack of a purging routine contributes to:

- The potential duplication of vendors in the database
- The issuance of checks to vendors who’s information is out of date
- A slower and potentially less accurate new vendor addition process
- Slower payment and research efforts

**Recommendation:** MUNIS Help provides instruction on how to purge. This process should occur now and periodically going forward.

**Management Response:** The Finance department will contact Munis to address the purging the vendor database.

**Finding #3:** The vendor setup process occurs without evidence of appropriate review and approval, and without sufficient assurance that vendors are not set up multiple times. Potential effects of duplicated vendors within the database include:

- Payments mailed to wrong address: vendor does not receive, or receives late
- Inability to contact vendor
- Potentially inaccurate IRS 1099 reporting
- Unnecessary utilization of Town resources

The Accounting Manager, the Finance Account Analyst and the Purchasing Agent have the ability to enter new vendors into the MUNIS database. The Accounting Manager and the Finance Account Analyst have the ability to enter additional vendor addresses and Taxpayer Identification numbers.

Review of the database identified at least the number of duplicated vendors listed below, as well as incorrect or duplicated social security numbers and incorrect or duplicated business identification numbers.

Vendor Designation	Lack TIN	Have TIN	Used more than once	# of Vendors affected	Incorrect
Businesses		1,633	79	249	37
Individuals		3,785	143	298	37
Totals	4,981	5,418	222	547	74

Total Active Vendors 10,399

**Recommendation:** Each omission, inaccuracy and duplication provided in to the Department in the audit file should be reviewed and addressed. This will be easier to accomplish if purging of unused vendors occurs first.

Currently multiple employees have the ability to set up a new vendor in MUNIS. In an effort to mitigate intentional and unintentional data input inaccuracies, it is recommended that a “reviewed by” line be added to the vendor setup form for acknowledgement by the Accounting Manager who would no longer engage in the setup.

**Management Response:** We have started the practice that once the vendor is selected that a Request for identification number (form W-9) is filled out and attached to the vendor file. For older vendors we are sending them the form to be filled out and returned back to us.

**Finding #4:**

Although it may appear simple enough on the surface, the bidding process is labor intensive, often requiring much back and forth between the Purchasing Agent and the associated Department. Needs must be agreed upon, laws understood, documents prepared, notices posted. Meetings with vendors are often required. Ultimately bid results must be analyzed and documented and a contract prepared. Complex bids may take several months to complete.

Purchasing Department staffing levels of proximate Towns is provided below.

	# Town Empl.	# BOE Empl.
Trumbull	1	Help BOE
New Britian	1	Help BOE
Stratford	2	1
Shelton	2	Help BOE
Middletown	2	Help BOE
Bristol	3	Help BOE
Hamden	3	Help BOE
Danbury	3 1/2	BOE separate

**Recommendation:** If a Committee is formed to update the Purchasing Policy, it is recommended that they also consider increasing Purchasing Department staffing levels. An increase would allow the



Purchasing Agent to concentrate on the more complex bids and would also ensure continuity should the Purchasing Agent be out of office for any period of time due to vacation, illness or emergency.

In conjunction with Policy review effort, the Committee may wish to consider increasing the \$10,000 minimum amount for which a bid is required. This would require a change in the Charter from which we may wish to refer to policy rather than to specify specific amounts.

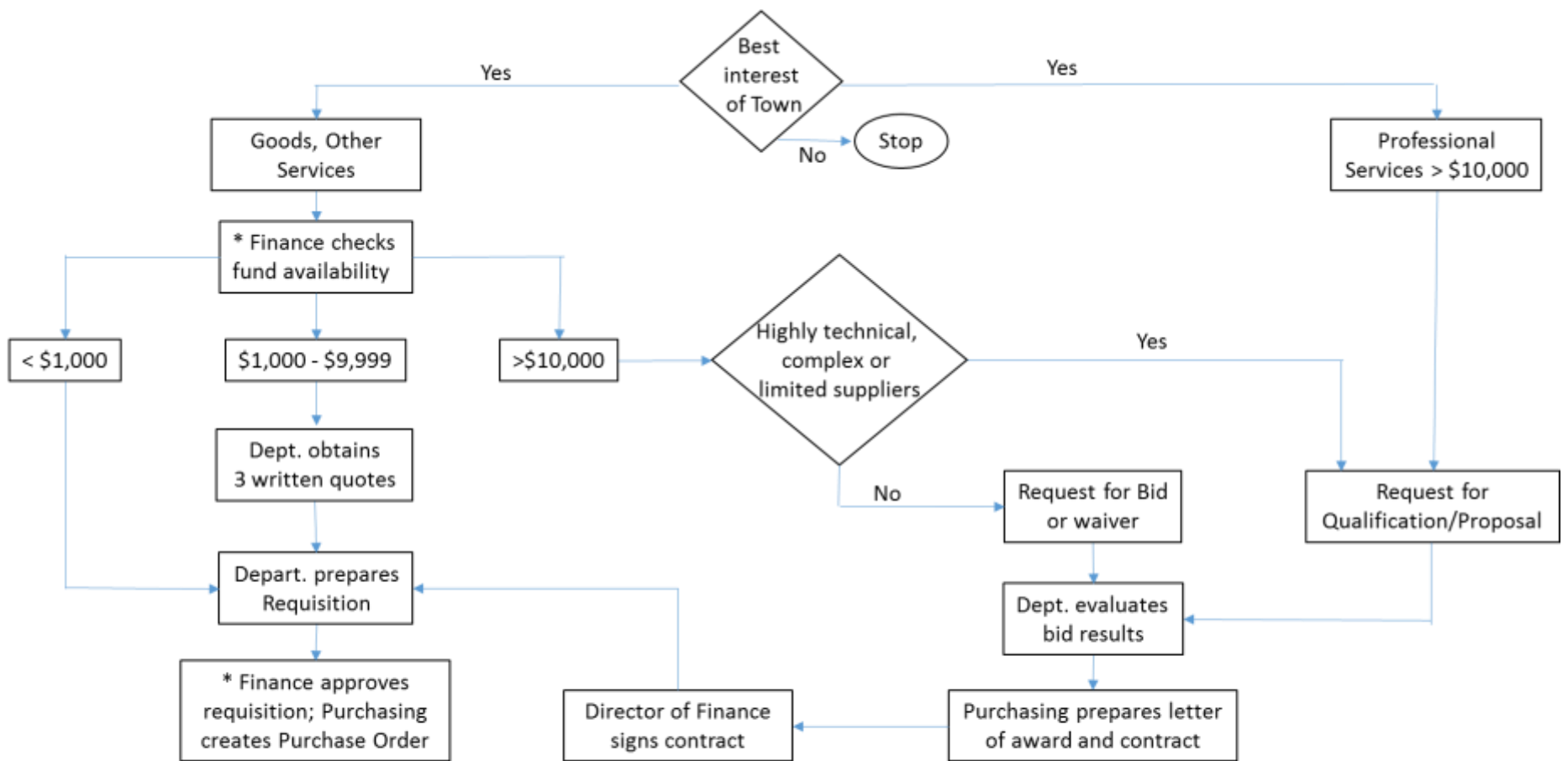
For benchmarking purposes:

- The Town prepared 56 bids during 2016,
- Approximately 21% of these were for amounts under \$25,000,
- The State of Connecticut obtains bids for purchases over \$25,000.

Documentation, communication and training would follow.

**Management Response:** The Finance department will be forming a committee to amend the policy to provide more clarification and to change the bidding thresholds. In the 2017-18 budget, the Purchasing Agent requested a full time clerical position but due to State and Town budget constraints this position was not funded. In the meantime other clerical staff has been helping him but they're not always available.

# Appendix



\* Director of Finance or designee

### Town of Trumbull – Procurement Process per Policy

Purchasing Review test data (vendor names excluded)

Vendor #	2016 Total	# of checks	Check #	Ck date	Amount	Doc #	Inv #	Waiver	Expected	Evidence	Ref#	Attached	PO #	Dated	Dept.	For
183	70,593.99	194	101213	8/18/16	2,549.22	86805	Multiple	No	3 quotes	No	None	Nothing	20170108	7/18/2016	Library	Multiple blanket POs
191	41,370.05	1	Wire	9/22/16	41,370.05	88160	092216	No	Bid	No	NA	Nothing			Town	Property closing
527	33,204.03	42	100160	6/23/16	4,082.03	85099	16-4081	No	3 quotes	No		2 notes to inc. PO	20160034	7/6/2015	EMS	Supplies
582	7,429.85	7	100168	6/23/2016	3,506.98	85142	14667	No	3 quotes	No		Nothing	20160014	6/10/2016	Parks	Cleaning supplies
665	401,470.92	36	100590	7/14/2016	27,066.66	D1199	85612	No	Bid	Yes	6037	Contract/minutes	20170200	8/4/2016	EMS	No bid docs or reference to bid
1002	44,084.00	1	100738	7/21/16	44,084.00	85817	0001874-IN	No	Bid	No	NA	Nothing			Town	
1092	43,607.76	330	101970	9/22/16	1,040.06	87992	822668	No	3 quotes	No		Nothing			PW	
11414	50,700.00	1	103311	12/8/16	50,700.00	90428	APPL NO.4	No	Bid	Yes	Re: Bid 6060	Change orders	20150032	8/8/2016	BOE	Madison change orders
11491	77,640.07	7	103208	11/30/16	23,180.57	90272	113016	No	Bid	No	NA	Nothing			Tax Collector	State C-Pace program
11502	390,721.58	4	97505	1/7/16	192,477.00	80030	APPL NO 8	No	Bid	Yes	6061	Contract	20150407	7/21/2015	PD	Communications Ctr renovations
11696	25,000.00	12	97798	1/21/16	2,083.33	80428	273737	No	Bid	Yes	6090	Nothing			Civil Serv.	Fringe; no PO, no bid, no docs in Munis
11829	4,500.00	4	98674	3/24/16	1,452.50	82362	15C5627-2	No	Bid	Yes	Quote attached	BL quote bid 6043	20160749	1/14/2016	Engineering	On call structural engineer
11846	16,136.00	3	98103	2/11/16	9,550.00	81129	INV17028	No	3 quotes	No	Quotes but not in Munis	Nothing			Civil Serv.	Software, licensing-applicant tracking
11916	1,000.00	1	99994	6/9/16	1,000.00	84560	060916	No	3 quotes	No	NA	Nothing			Civil Serv.	Ortho reimbursement
11928	3,750.00	2	100865	7/28/16	3,750.00	85999	213	No	3 quotes	Yes	3 attached	Yes	20161190	6/17/2016	HWY for PD	Brick sealer in parking lot
11930	2,500.00	1	100203	6/23/16	2,500.00	85161	062316	No	3 quotes	No	NA	Nothing			Health	Medical Director
11980	95,460.12	9	102675	10/27/16	23,709.49	89336	33905034	No	Bid	No	1 quote attached	Day Pitney quote	20170289	8/22/2016	Town	Specialized legal services
11981	386,341.84	3	101295	8/23/16	38,500.00	87044	082316	No	Bid	No	NA	Nothing			Town	RE purchase
11982	346,278.49	3	101296	8/23/16	34,000.00	87045	082316	No	Bid	No	NA	Nothing			Town	RE purchase
12007	3,882.70	3	101930	9/22/16	3,344.70	88127	REFUND #5303	No	3 quotes	No	NA	Nothing			Tax Collector	Tax refund
12021	2,900.00	1	102977	11/17/16	2,900.00	89816	18919	No	3 quotes	Yes	3 attached	Yes	20170419	10/4/2016	HWY	OH door-Bill's property
12028	15,160.00	2	103242	11/30/16	12,128.00	90329	275	No	Bid	Yes	6206	Contract	20170470	11/10/2016	PD	Emergency equip in vehicles
12077	27,558.06	1	103424	12/15/16	27,558.06	90541	20161114531	No	Bid	No	used State bid	Nothing			IT	State Grant & new ISP; no PO, no docs
12012	97,906.09	3	103381	12/15/16	32,109.28	90674	#2 0814502	No	Bid	Yes	6164	Contract	20170376	9/21/2016	Engineering	Engineering/consulting pump station
11993	21,676.96	3	102617	10/27/16	13,106.00	89278	9303	No	Bid	Yes	6181	Bid response	20170327	9/2/2016	Town	Community Center
11967	10,005.00	7	101035	8/4/16	1,455.00	86410	380398	No	Bid	No	used State bid	Nothing			Sr. Ctr.	Meals on wheels; no PO, no docs
11936	376,210.00	4	101609	9/1/2016	61,750.00	87372	APPL#1	No	Bid	Yes	6187	Bid/chg order docs	20170152	7/22/2016	BOE	HS tennis court repair
249	1,079,572.94	11	102536	10/27/2016	373,972.25	89212	6170-1	No	Bid	Yes	Re: RFP 6170	Contract	20170341	9/7/2016	HWY	Design/Build - PW bldg
1394	3,503,790.38	9	103234	11/30/2016	269,625.00	90324	Inv No 6	No	Bid	NA	NA	Contracts/PO Inc's	20170213	8/4/2016	WPCA	Sewer construction settlement
1626	1,068,059.68	46	103470	12/15/2016	422,998.79	90649	89702-2	No	Bid	No	St of CT award	Contract/quote/State info	20170434	10/7/2016	HWY	Road aid
2376	6,712,160.24	13	102033	9/22/2016	469,456.83	88049	2017-02	No	Bid		NA	Requisition	20170282	8/19/2016	Town/WPCA	Monthly sewage disposal
10341	887,352.57	141	103606	12/22/2016	10,094.44	90938	111697060	No	Bid	No	Re: RFP 6043	Proposal	20170182	7/28/2016	Engineering	2016 Roadway Improvement project
11730	1,456,951.62	17	103034	11/17/2016	135,766.57	89989	RFP#6138.1	No	Bid		Re: RFP 6138	Tighe & Bond docs	20170334	9/2/2016	Engineering	Change order for drainage repairs on Fai

17,304,974.94

2,342,866.81

**TOWN OF TRUMBULL  
PURCHASING GUIDELINES**

The Purchasing Policy can be found on the Town Hall Drive (I) on the network under the folder labeled "POLICIES". The policy was added to the Charter during the last charter revision.

*Highlights relating to Purchasing form the Charter of the Town of Trumbull, adopted by the Town on November 8, 2011 – See Chapter III, Section 6.G*

- The Director of Finance shall be the Purchasing Authority.
- All supplies, materials, equipment and other commodities required by any department, office, agency, board or commission of the town, including the Board of Education, shall be purchased by the purchasing authority in accordance with the purchasing policy recently adopted by the Town Council on requisitions (MUNIS) in such form as prescribed by the Director of Finance and signed by the Department Head.
- Before any purchase involving an expenditure of more than one thousand dollars (\$1,000.00), said purchasing authority shall procure quotes from at least three (3) sources, whenever practicable.
- Any purchase or any such contract involves the expenditure of ten thousand dollars (\$10,000.00), or more, the purchasing authority shall invite sealed bids or proposals. Purchases shall be made from and contracts let to the lowest, responsible, qualified bidder.
- Bids may be waived after the purchasing authority has obtained the written approval of the First Selectman in any case in which compliance with this subsection shall be deemed to be impractical or not in the best interest of the town.
- No one vendor shall be allowed to receive more than one (1) bid waiver in any three (3) year period. Bid waivers in excess of \$500,000 must receive Town Council approval by a 2/3 majority vote of the entire Town Council.
- Purchase requisitions and contracts for public work or other services covered by this section shall not be valid without the endorsement of the purchasing authority.

Anticipated Expenditure	Action
\$1.00 - \$999	Purchase order issued to the supplier offering the lowest price for good quality and delivery.
\$1,000 - \$9,999	Secure at least three written price quotations or proposals.
\$10,000 or more	Purchasing Department issues a Formal Published Solicitation requesting a Sealed Bid or Proposal.

**GENERAL PURCHASING**

- It is unlawful for any Town official, department head, employee, board or commission member to purchase any good or services for Town government other than through the Purchasing Department. Any purchases ordered outside of the provisions included herein shall not be approved and the Town shall not be bound to accept or pay for those purchases.

- All purchase requisitions for materials and services are to be approved by department heads and submitted through the Town's Financial System (MUNIS).
- A hard copy of the printed MUNIS requisition, signed by the department head with all supporting documentation, shall be submitted concurrently to the Purchasing Department and as an attachment to the on line MUNIS requisition.
- All requisitions created in the Munis system are first electronically forwarded to the Finance Director (or Designee) for approval and then released (electronically) to the Purchasing Department. NOTE: the Purchasing Department cannot process a requisition in the MUNIS system until such time that it has been approved and released by the Finance Director.
- If the requisition is missing an attachment detailing the quotes, bid, contract, etc. the Finance Director (or Designee) will reject the request and include instructions on what is needed for approval. The department will then need to provide the missing information and resubmit in MUNIS the requisition for approval.

#### **PUBLICLY BID CONTRACTS**

- The Town shall avail itself of State and/or Federal contracts when it is considered to be in the best interest of the Town to do so.