Internal Audit Report

Cuyahoga County, Ohio
Department of Internal Auditing

Procurement Process – IT Contracts
Cuyahoga County Office of Procurement and Diversity
& Department of Information Technology
July 1, 2016 – December 31, 2017

Director of Internal Auditing: Cory A. Swaisgood, CPA

Audit Manager: Rose Karam, CFE, CIA

Staff Auditors: Jeremy Hejnal, CIA
                 Mamadou Ndour, CPA
                 Kim Seeley, CPA, CIA, CISA, CIDA

Audit Report Highlights

Procurement Process – IT Contracts Audit   June 2018

Total Potential Recoveries[1] = $194,183   **Total Cost Savings[2] = $301,407**

Department of IT Budget[3] = $25.9 Million   **County Annual Budget[3] = $1.4 billion**

Why DIA Did This Audit

This report provides results and recommendations from the Department of Internal Audit (DIA) related to the Office of Procurement and Diversity's (OPD) procurement process specific to the Department of Information Technology's (DoIT) contracts during the period of July 1, 2016 through December 31, 2017. DIA included this audit in the 2017 audit plan following the annual risk assessments conducted in 2015 and 2016. The purpose of this audit was to:

1) Ensure adequate controls were in place and operating effectively as designed by management. This included a review of internal controls for weaknesses such as process inconsistencies, segregation of duty issues, and unauthorized purchases.

2) Ensure compliance with State and County laws and County policies.

3) DoIT assets procured were in County possession, appropriately tracked and inventoried.

What DIA Found

During the latter half of the audit fieldwork, DoIT and OPD resolved or established a plan to resolve many issues identified by DIA. Nonetheless, DIA identified internal control weaknesses related to the procurement process for DoIT contracts. We also identified segregation of duty violations and non-compliance with the Ohio Revised Code (ORC) and Cuyahoga County Code. Noteworthy issues are listed below:

- Although procurement processes and data ownership transferred back to OPD from DoIT during the audit, DIA identified specific instances of DoIT employees performing duties in the County's procurement system, OnBase, that were the responsibility of OPD. DIA noted that contracts were forwarded for the Executive's signature, or his designee, by DoIT employees and not OPD. DIA also noted that oversight of online reverse auctions resided with DoIT, not OPD, and control weaknesses existed with the online reverse auction process.

- DIA identified segregation of duties (SOD) issues related to the IT General Counsel and Director of Special Initiatives position in DoIT. Maintaining SODs in DoIT is especially important considering the elevated access granted to DoIT staff in roles such as system administrators. Based on DIA's review of workflow activity in OnBase for contracts tested, this employee had the access to perform, and did perform in certain instances, multiple functions in the procurement process. The employee also assumed OPD responsibilities in OnBase; directly supervised a DoIT business services manager; informally managed the OnBase Administrators; and had administrative access (based on the employee's activity) in OnBase. The employee also signed contracts with the title of "Assistant Law Director", under the Law Director's authority, in 51 out of 58 contracts tested.

[1] Total overpayments identified by DIA the County could potentially recover.

[2] The amount the County could potentially save by implementing recommendations. This is a result of policy changes that could reduce expenses or increase revenue.

[3] Taken from the updated 2018 budget approved by Council in December 2017. The County Annual Budget includes operating appropriations from all County funds.

What DIA Found (cont'd)

- Out of 96 contracts, POs, and DOs tested, DIA noted the effective date for 29 items occurred prior to receiving board approval. DIA also noted that 30 items out of the 96 tested did not obtain all required review authorizations (legal, OPD, etc.) prior to board approval. OPD considers these items a "walk-on", since all required reviews are not obtained prior to board approval. These types of items are generally presented to the board as an immediate need to procure.

- 47 of the 96 items tested (49%) received board approval as RFP exemptions or Sole Source contracts, which are not competitively bid.

- In 2011, DoIT and OPD contracted with OneLink for approximately $600,000 to develop the procurement database (OnBase) and publicly post contracts on the County's website, in compliance with County Code Section 501.23. In review of the website, not all contracts were posted to the website under the Code Section. Although DIA could not determine the dollar amount allocated for the OneLink contract specific to posting of contracts online, the work was not completed and the contract was paid in full. Prior to release of this audit report, the County began posting contracts on the County's website.

- While performing a review of IT inventory on contracts tested, DIA was unable to locate 20 wireless access points (routers), totaling approximately $15,000.

- In 2016, DoIT received approval to pay OneCommunity $370,975 for unpaid services from 2014. DIA reconciled OneCommunity payments from 2014 to support provided by DoIT from OneCommunity. DIA determined the County owed OneCommunity $251,193, resulting in an overpayment of $119,782.

What DIA Recommended

We provided County management with best practices and sound internal controls to mitigate potential risks identified during the audit. We communicated these recommendations to DoIT and OPD during the audit. Management responses follow each recommendation in the report. Management has addressed or plans to address most findings; however, it is essential that management addresses risks identified that could lead to wrongdoing or illegal acts. We made the following recommendations:

- DIA recommended transferring procurement duties back to OPD that were performed by DoIT during the audit period, which was initiated by the two departments in January 2018.

- DoIT should ensure proper segregation of duties is enforced in the system and OnBase administrative duties should be restricted to appropriate staff to ensure that only authorized personnel can approve and make changes in the system, if necessary.

- OPD should outline and distribute a timeline with dates on the procurement process to help prevent services from being performed prior to board approval, and limit "walk-ons". A timeline should be established for each type of item (e.g. contract, exemption, PO, DO) that provides department users with deadlines for each step in the procurement process.

- Discuss legal implications with the Law Department in case legal remedy is advisable to recover overpayments or payments for services not rendered (OneLink, MCPc, and OneCommunity).

INTERNAL AUDIT REPORT
Cuyahoga County Procurement Process – IT Contracts
Cover Letter

June 29, 2018

To: Director of the Office of Procurement and Diversity Lenora Lockett, Interim Chief Information and Transformation Officer Michael Young, and the current management of the Cuyahoga County Fiscal Office and Department of Information Technology:

The Department of Internal Auditing (DIA) has conducted an audit of the financial operations and general internal controls of Cuyahoga County's procurement process, for the period of July 1, 2016 through December 31, 2017. The audit objectives focused on testing of the procurement process related to the Department of Information and Technology contracts. Specifically, DIA reviewed the procurement process to ensure compliance with State and County laws and policies, that contract-related transactions agreed to contract specifications and that information technology assets purchased were tracked in inventory and located on County premises. We also conducted audit work related to internal controls over the procurement process to determine if procedures utilized in the current procurement systems were operating as intended by management and were consistent with County policies and procedures and all governing laws and regulations.

To accomplish our objectives DIA conducted interviews with management and staff and performed walk-throughs of the procurement process to document the controls in place. Through the understanding obtained we designed and performed additional audit procedures including detailed control and substantive tests of contracts executed during the audit period. DIA obtained a list of contracts from the Office of Procurement and Diversity and utilized a data analytics system to identify and test additional Department of Information and Technology contracts.

Our audit procedures disclosed significant internal and security control weaknesses related to the procurement process and Department of Information Technology contracts, as well as segregation of duty violations and non-compliance with the Ohio Revised Code and Cuyahoga County Code. This report provides the details of our findings, in which some findings have been corrected or in the process.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to the Office of Procurement and Diversity staff, Department of Information Technology staff, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to management and their responses are included within the audit report.

Respectfully,

Cory A. Swaisgood, CPA
Director of Internal Auditing

Cc: Audit Committee
    Cuyahoga County Council
    Earl Leiken, Chief of Staff
    Robert Triozzi, Law Director

Contents

Glossary

DoIT	-	Department of Information Technology
FAMIS	-	Cuyahoga County's accounting information system.
IT	-	Referenced throughout this report as items related to Information Technology.
OnBase	-	OnBase is the County's procurement document management system used for tracking, documenting contract authorizations and storing documentation for procurement and travel-related requests.
BuySpeed	-	BuySpeed is the County's procurement requisition system used by OPD to post informal and formal bids, for potential vendors to access open bid information and for County departments to request bids, submit requisitions, and for OPD to generate POs.
Procurement System	-	The procurement system referenced throughout this report applies to OnBase and BuySpeed as one system used for the procurement process.
OPD	-	The Office of Procurement and Diversity
BOC	-	The Board of Control has approval authority over all County contracts and purchases valued from $501 to $500,000. The BOC is comprised of Executive management and County Council members.
PO	-	A Purchase Order is a commercial document issued by the County to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to the County. POs are utilized for the purchase of goods and require competitive bidding in excess of $25,000 (unless an exemption is approved).
DO	-	Department Orders are generally utilized like a PO, the main difference is DOs are issued for the purchase of goods between $500 and $25,000 and require informal bidding.
TAC	-	The Technical Advisory Committee is comprised of Executive agency IT chiefs and non-executive agency IT personnel and reviews and approves IT-related purchases.
ORC	-	The Ohio Revised Code contains all current statutes of the Ohio General Assembly.

Report Details

Purpose

The purpose of this audit was to conduct a comprehensive audit of Cuyahoga County's (County) procurement process specific to DoIT contracts. OPD and DoIT were scored as a high risk to the County during the 2015, 2016, and 2017 risk assessments. The Audit Committee approved an audit of OPD on a selected category of contracts (DoIT) for the 2017 and 2018 audit plans. We conducted our review of the procurement process specific to DoIT contracts through inquiry, obtaining a list of DoIT contracts from OPD, and utilizing the IDEA data analytics software to identify DoIT payments during the audit period that warranted further contract review.

DIA evaluated processes for compliance with existing policies, laws, and professional standards. We performed substantive tests on contracts and financial transactions. The audit included review and evaluation of procedures, practices and controls as deemed necessary.

Audit Objectives

The objectives of this audit were to determine whether:

Control conscious environment
Adequate level of internal control awareness; proper separation of duties; existence of a proper monitoring system; appropriate authorization/approval of expenditures; and adequate safeguarding of financial, physical, and information assets.

- Procedures being utilized were operating as intended by management.
- OPD and DoIT were operating in a control conscious environment with adequate controls in place to effectively and efficiently achieve the organization's goals.
- Proper segregation of duties exists in the procurement process.
- DoIT contracts and transactions were thoroughly documented, accurate, properly authorized, and recorded in the financial records.
- The procurement of goods and services were in accordance with all governing laws and policies; specifically, the ORC and Cuyahoga County Code.
- DoIT assets purchased through the County were tracked in inventory and located on County premises.

Scope

Our audit originally covered the period of July 1, 2016 through June 30, 2017. DIA extended the audit period through December 31, 2017 to allow additional testing in high-risk areas identified as audit testing progressed.

Methodology

To accomplish our objectives, we focused on the operational and information system controls of the procurement process, the accuracy of recording and monitoring IT assets, as well as specific compliance mandates required during the audit period. DIA

conducted interviews with management and staff along with general walk-throughs of the procurement process to gain an understanding of the process, to document the controls in place, and to determine whether controls were operating effectively. In addition, substantive testing methods included analytical procedures, tests of details using sampling methods, as well as confirmation of transactions and assets. We incorporated this understanding into our testing along with best practices for the procurement process.

DIA attempted to test all procured items (contracts, DOs and POs) specific to DoIT by obtaining a list from OPD and conducting a search for additional DoIT procured items by scanning County Council and BOC meeting minutes. DIA also utilized a data analytic system to review DoIT transactions in the County's FAMIS financial system. This review was to identify additional DoIT purchases made against the DoIT budget not identified by the other methods. DIA tested the items procured by DoIT during our audit period to determine: proper segregation of duties, information system controls were operating effectively with the procurement system, and compliance with the ORC and Cuyahoga County Code.

DIA reviewed DoIT transactions to ensure services provided and goods received followed contract specifications. DIA also performed a physical verification test to ensure assets purchased were accurately recorded and could be located on County premises.

DIA identified 150 procured items (contracts, POs and DOs) for the period July 1, 2016 through June 30, 2017, using the parameters noted above. However, approval from the BOC or County Council for 52 contracts or amendments appeared to occur prior to DIA's audit period. Due to legacy systems used prior to the audit period, DIA was unable to perform the audit procedures established for OnBase testing. Consequently, DIA exclude these items from our testing. The following table provides an approximate number of DoIT-procured items based on DIA's review and analysis during the audit period:

	Number of Procured Items	Dollar Amount of Procured Items
Procured Items	96	$ 36,064,943

Background

The County expressly asserts its home rule powers with respect to all contracting and procurement matters, including, but not limited to, all competitive bidding requirements and the County's contracting capabilities. Cuyahoga County Code Section 501 dictates the County's policy for procurement.

Cuyahoga County's Code Section 501.10 requires that "All purchases of goods and services shall be done by the Office of Procurement and Diversity, under the direction

of the County Executive". Therefore, OPD manages and facilitates the procurement process for items purchased over $500 (items under $500 can receive Department approval).

OPD manages the County's procurement process from creation of a requisition number to board approval (County Council or BOC). County Code section 501 requires most contracts for purchases of goods or services over $25,000 to go through a competitive bidding process. However, a requesting agency or department may use a non-competitive process but must receive approval from BOC or County Council prior to utilizing the alternative procurement method. Section 501.04 of the County Code requires BOC approval for all items between $501 and $500,000 and County Council approval for all items over $500,000.

OPD's Responsibility in the Procurement Process
OPD is responsible for the procurement of equipment, materials, supplies, construction and services for all the County departments, agencies, and elected officials in a manner which is cost effective and in compliance with the laws of the State of Ohio and the policies and ordinances of Cuyahoga County. OPD implements formal and informal bidding procedures for items covered by competitive bidding policies, ordinances, and laws.

Additionally, OPD is responsible for the County's Diversity Division, a program to give Small Business Enterprises, Minority Business Enterprise and Women Business Enterprise the opportunity to fully participate in the County's system of procurement and secure County contracts for the provision of goods, supplies, professional services, and construction services to the County. OPD handles all aspects of the certification process for the Diversity Division.

OPD utilizes the OnBase procurement system to retain information supporting procurement items requiring BOC or County Council approval. In 2016 and 2017, the County contracted with Hyland Software, Inc. (Hyland) to provide workflow, support and maintenance services for OnBase. There were three main phases since the implementation of the OnBase system, referred to internally as OnBase, OnBase 1.0, and OnBase 2.0, spanning from 2012 through July 2017. Two of the three major implementations occurred during our audit period. During the audit, the County was implementing an Enterprise Planning Resource system that will streamline the procurement process and integrate workflows with the financial system.

DoIT's Responsibility in the Procurement Process
DoIT has two main responsibilities during the procurement process. DoIT reviews and approves technology-related purchases for all County departments. The Technical Advisory Committee (TAC) is the recommending body for IT products and services. TAC serves as the primary forum to ensure that proposed IT-related purchases, contracts and services comply with current IT standards and strategy adopted by Cuyahoga

County. TAC is comprised of DoIT management and IT management from outside agencies, such as the Common Pleas Court. TAC performs reviews and approvals of IT related items prior to BOC or Council approval.

DoIT is also the data custodian of OnBase. Data custodians are responsible for implementing the safeguards specified by the data owner and ensuring that data availability and integrity is maintained. Data owners are responsible for the identification and classification of information and ensuring that proper safeguards are in place for the data. OPD is the data owner for the County's procurement process.

Procurement Process

The general procurement process for contracts is summarized in the following flowchart followed by more details of the process.
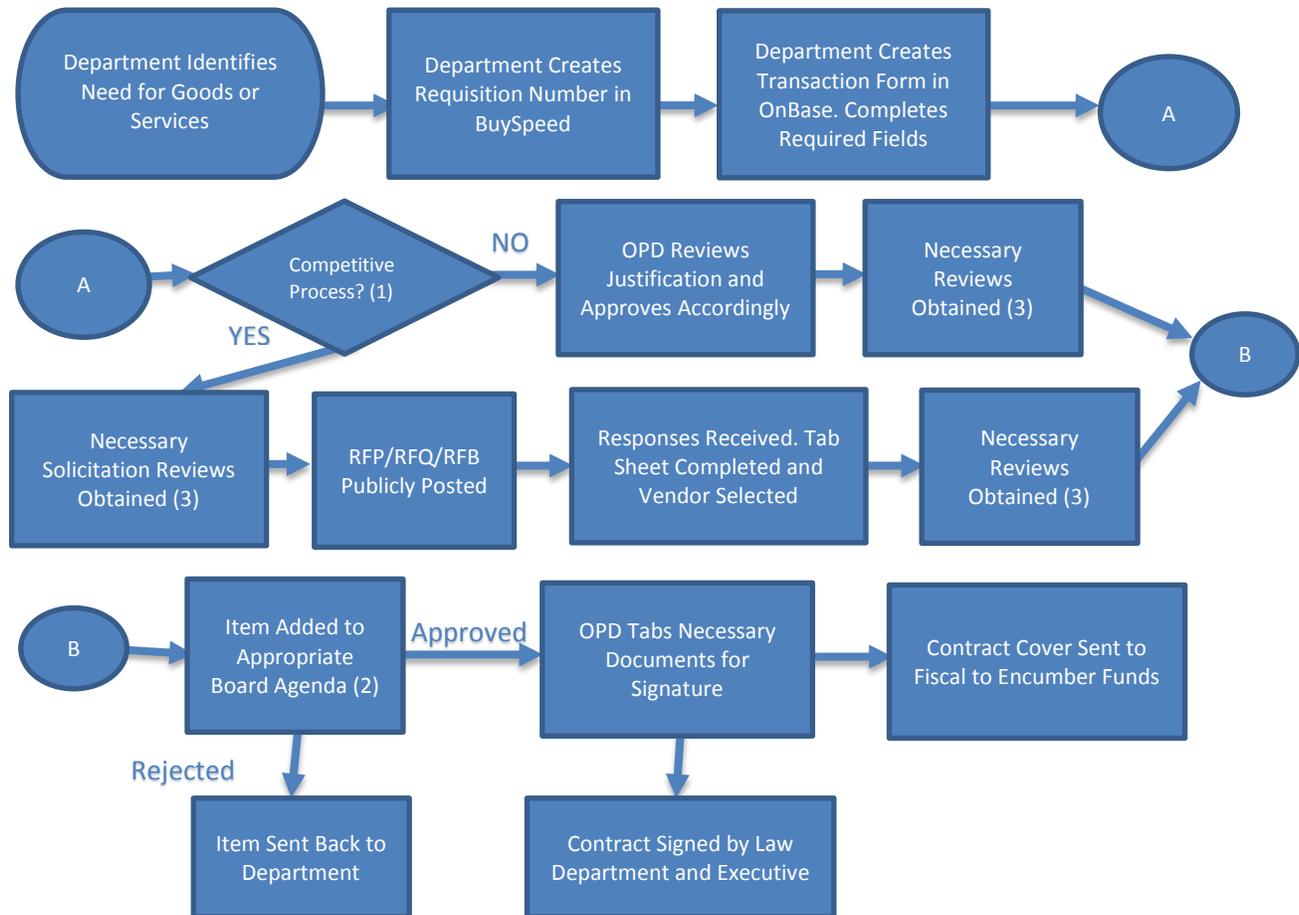
Disclaimer: This flowchart provides a general overview of the County's procurement process. It does not capture all the complexities that can arise from the method of procurement used.

(1) In general, purchases $25,000 or over are required to be bid. However, when there is a valid business purpose, or it is more advantageous for the County to use a procurement method other than a competitive

one, request must be made to the BOC or County Council for approval to use an alternative procurement method. Different types of procurement methods are listed below.

(2) BOC has approval authority for purchases between $501 and $500,000. County Council has approval authority for purchases over $500,000. IT-related request items are sent to TAC for review and approval prior to BOC or County Council approval.

(3) For both processes, reviews and approvals are required by other departments, like DoIT (for IT items), OPD, Law Department, Risk Management, Office of Budget and Management. Solicitation reviews are performed by the same departments before starting the bidding process.

The following list summarizes the types of procurement methods used by all County departments under the Executive, including DoIT:

Competitive Bidding
- ***Request for Bids (RFB Formal):*** Method used to solicit bids from vendors based on the combination of providing services at the best price.
- ***Request for Proposal (RFP Formal):*** Method used to choose a vendor based on an evaluation of services and for the best interest of the County.
- ***Request for Qualification (RFQ Formal):*** Method used to solicit vendors by evaluating the vendor's qualifications to provide needed services.

Exemption from Competitive Bidding
- ***Contract Amendment:*** Method used to make a necessary change to an existing contract (i.e. change in scope or funds).
- ***Exemption under Code:*** Method used when the purchase is exempt from competitive bidding under the County Code (i.e. professional services, disposition of personal property, insurance/health care plan, etc.).
- ***RFP Exemption:*** Purchasing process used when department requests to use a non-competitive procurement method and does not solicit formal bids.
- ***Sole Source Contracts:*** Method used when the vendor is the only organization that can provide the specified services, based on a justification that only one known source exists or that only one single supplier can fulfill the requirements. OPD requires a notarized waiver from the vendor to verify sole source status.
- ***Government Purchasing:*** Method used when the County purchases from another government organization.
- ***Joint Purchasing Program:*** Method used when there is a General Services Administration or other cooperative agreement established by the federal government.
- ***State Contracts:*** Method used to choose a vendor using the State Term Schedule established by the State of Ohio.
- ***Informal RFB, RFP, and RFQ:*** For purchases under $25,000. The vendor is chosen based on the competitive methods mentioned above but using a process that requires a request of informal bids. Bids are solicited through BuySpeed. However, compliance with ORC 307.862 (Sealed Bids) is not required.

OPD utilizes OnBase to record and track required reviews and approvals. OnBase routes the purchase requisition to various County personnel for review and approval utilizing a transaction form workflow process. First, the department head approves the purchase requisition following completion of all specifications and details. Following department-level approval, OnBase routes the item through other required departmental reviews, such as the Law Department, OPD, Office of Budget and Management (OBM), and TAC (for IT-related purchases). The OnBase system allows concurrent reviews of the request but TAC approval is required for IT-related purchases before OPD can perform the final review.

OPD performs different reviews depending on the procurement method. Reviews by an OPD buyer and manager are required for all procurement types. If the request is for a non-competitive procurement type, such as an RFP exemption or sole source contract, the OPD Manager or Director must review the justification given by the requestor before bypassing the bidding process. Following completion of all reviews, OPD adds the purchase requisition to a BOC or County Council meeting agenda. Once approved, the contract is electronically sent to the Law Department and Executive's Office for signature. Also, OPD creates a contact cover for the Fiscal Officer to certify the funds availability and create an encumbrance (budget entry to spend down on the approved amount for a specific vendor) in the financial system for the approved item. The Fiscal Officer and Law Department sign the contract cover.

Commendable Practices

We commend the Chief Innovation Officer, the County Executive's liaison to DIA, for the assistance provided as audit fieldwork concluded. The Chief Innovation Officer worked with DoIT to address some of DIA's concerns, provide additional support to DIA, and develop a comprehensive procedure manual on IT asset management. We also commend OPD for their cooperation and professionalism throughout the audit and the work done to establish a set of rules on reverse auctions.

We thank OPD, DoIT, and the Chief Innovation Officer for their assistance and dedication to develop policies and consider our recommendations as we concluded our audit testing.

Findings and Recommendations

County's Procurement Process and System

FINDING **Overriding of Automated Controls and Segregation of Duty Issues Resulted in Control Weaknesses**

Various departments perform reviews during the procurement process. The County should have adequate internal controls and proper segregation of duties in the procurement system and during the procurement process to ensure items are procured in accordance with state laws and the County Code. Following completion of all reviews, OPD adds the purchase requisition to a BOC or County Council meeting agenda. One of the following types of agreements are created following board approval:

The County's procurement process is summarized in the "Background" section of this report starting on page 6.

- **Contract –** Utilized for the purchase of services or when required to materially modify a product, such as customized software. Contracts can be established for any purchase greater than $500.

- **Purchase Order (PO) –** Utilized for the purchase of goods, such as computer hardware and off the shelf software, that do not require modifications. POs require competitive bidding (unless an exemption is approved) greater than $25,000.

- **Department Order (DO) –** Utilized for the purchase of goods, such as computer hardware and off-the-shelf software that do not require modifications. DOs require informal bidding (unless an exemption is approved) between $500 and $25,000.

DIA made inquiries of OPD and DoIT personnel and performed detailed control and substantive testing of records in OnBase to verify that all required authorizations associated with approved contracts, POs and DOs were obtained in the prescribed order and that no segregation of duty (SOD) violations, or other control weaknesses existed. The scope of the review included all DoIT approved contracts, POs and DOs and DoIT payments for the period between July 1, 2016 to June 30, 2017. The table on the following page summarizes the number and dollar amounts of the contracts, POs, and DOs tested:

Procurement Type	Number by Procurement Type	Dollar Amount by Procurement Type
Contracts*	58	$33,910,979
PO	26	$1,971,844
DO	12	$182,120
Grand Total	**96**	**$36,064,943**

DIA was unable to fully test some contracts and contract covers, which accounts for the different sample sizes noted throughout the audit report. To fully test contracts and contract covers, DIA needed access to review electronic signatures with user access history in OnBase to view approvals for these documents. If a contract was signed with ink, or deleted from the system, DIA was unable to fully test the contract and associated controls. Contracts are signed by the Executive, or his designee, and a legal representative while contract covers are signed by the Fiscal Officer and a legal representative to certify the availability of the funds. DIA was unable to fully test the following contracts and contract covers due to the following reasons:

Contracts and contract covers were signed by ink due to technical difficulties or the system routing in OnBase was not completed in the normal sequence (e.g. approvals).

- *Six of the contracts for a total dollar amount of $4,563,081 were signed by ink and not located in OnBase. OPD stored these contracts on a shared drive in OPD. DIA could not review the history of user access and signatures in OnBase to fully complete testing on these contracts.*
- *14 contract covers for a total dollar amount of $25,782,347 were signed by ink and not located in OnBase. OPD stored these contract covers on a shared drive in OPD. DIA could not review the history of user access and signatures in OnBase to fully complete testing on these contract covers.*
- *Two contracts for a total dollar amount of $165,390 were in NOVUS, which was the County's previous contract document management system. NOVUS functioned differently than OnBase and detailed testing was not completed for the actual contract, but the transaction form processed through OnBase was included in our testing to ensure proper approvals were obtained.*
- *One contract for a total dollar amount of $420,000 was electronically signed based on the timestamp in the contract, then deleted from OnBase, and then re-scanned into OnBase. DIA could not review the history of user access and signatures in OnBase to fully complete testing on this contract.*

Results for audit procedures performed are detailed below:

<u>No-Bid Contracts</u>
ORC and County Code require contracts and purchases to go through an open and fair competitive process unless stipulated in Section 501.12 of Chapter 501 of the County Code. Competitive bidding ensures the best value for expenditures, a fair and transparent process, and reduces the risk of procurement fraud.

DIA noted 49% (47 out of 96) of the DoIT contracts, POs and DOs reviewed were submitted and received board approval as RFP exemptions or Sole Source, which are not competitively bid. Out of the 47 contracts, 41 were RFP exemptions totaling $3,671,594 and 6 were sole source contracts totaling $151,367. The 47 did not include any other non-competitive methods, like contract amendments or state contracts.

Specifically, DIA noted one RFP exemption contract was erroneously entered into OnBase as an open market transaction in 2016. Therefore, the transaction did not follow the non-competitive process workflow in OnBase, which includes OPD's authorization and the required form to justify the exemption. The contract was awarded to MNCL Inc. for over $80,000 for "IT Service Desk Mgmt. App.". DIA noted there was a formal RFP process in 2014 for the purchase, however due to the time that had elapsed between the original solicitation and the purchase, a new transaction form was requested by OPD and the item was presented to the Board of Control as an RFP exemption. DoIT chose the vendor selected during the 2014 RFP process, but the OnBase workflow utilized (competitive bid) to process the transaction did not align with the transaction type presented to the Board of Control (non-competitive).

<u>Segregation of Duties (SOD) Issues Related to a Position in DoIT</u>
During DIA's testing of DoIT contracts, it was noted the IT General Counsel and Director of Special Initiatives performed multiple job duties within DoIT. The job description for the position of IT General Counsel and Director of Special Initiatives states the individual in that position acted as a representative of the Law Department, which allowed the employee to perform legal review and legal approval of DoIT contracts. DIA also noted the employee was a part of DoIT's leadership team tasked with management responsibilities, including the facilitation of project governance and the management of project budgets, like the ERP. The County should have adequate SODs during the procurement process between legal review and departmental business decisions (department approval), specifically in departments like DoIT. Maintaining SODs in DoIT is especially important considering the elevated access granted to DoIT staff in roles such as system administrators. Based on government best practices, a single employee should not have the authority to request a procurement item in OnBase, give department approval for the procurement item in OnBase, obtain required documents (e.g. W-9, RFP responses) from vendors, and perform legal review and give legal approval on the same procurement item without adequate documented supervision.

Based on DIA's review of workflow activity in OnBase for contracts tested, the IT General Counsel and Director of Special Initiatives had the access to perform, and did perform in certain instances, the multiple functions mentioned above. The employee also assumed OPD responsibilities in OnBase; directly supervised a DoIT business services manager; informally managed the OnBase Administrators; and the employee had administrative access (based on the employee's activity) in OnBase. See pages 13 through 15 for specific examples of issues identified.

<u>Contract Signature Related Issues</u>
In addition, DIA inquired about the IT General Counsel and Director of Special Initiatives' position within the County's organizational structure to determine compliance with County Code Section 501.17, which states, "All contracts, purchases, sales, leases, grants, or loans must undergo legal review before being executed. Use of a standard form, approved in advance by the Law Department, for a specific type of transaction shall satisfy the requirement of this section." In response to a query from DIA, the Law Director stated that County Code 501.17 does not specifically require that lawyers reviewing legal contracts be members of the Law Department. DIA understands that legal services in the County are performed either by the Law Department or the Office of the Prosecuting Attorney.

Based on government best practices, it is DIA's position that in order to reduce the risk of procurement fraud, legal review of a contract should be independent from the operations of the requesting department, especially if the legal reviewer can also perform department requests and department approvals during the procurement process. This reduces the risk of procurement fraud and aligns with best practices in government.

DIA made inquiries and reviewed County records to determine if the Law Department adequately supervised legal reviews and approvals by the IT General Counsel and Director of Special Initiatives on DoIT contacts, to address the lack of independence between legal review and department operations inherent in the position. Although the position's job description stated the employee would act as a Law Department representative with approval from the Law Director and the Law Director communicated to DIA in June 2018 that he supervised the employee's work, DIA could not obtain adequate evidence on Law Department supervision for specific legal reviews performed by the IT General Counsel and Director of Special Initiatives. DIA obtained the following evidence to support the employee's position within DoIT, as the employee was:

- Categorized as a DoIT employee in Human Resources' system of record (SAP);
- Paid out of DoIT's budget. The Law Director stated a portion of the employee's salary was supposed to come out of the Law Department's budget;
- Received timesheet approval from the Chief Information and Transformation Officer;
- Not on the Law Department's organizational chart on the County's website;

- Directly supervised a DoIT business services manager.
- Informally directed OnBase Administrators;
- Received approval to transfer from the Law Department to DoIT on the Executive's personnel agenda; and,
- Received an offer letter from Human Resources noting employment within DoIT.

Considering the foregoing facts, DIA noted the following instances while testing legal review of 58 DoIT contracts:

- 54 legal review authorizations for contracts totaling $33,364,269 in OnBase were completed by the IT General Counsel and Director of Special Initiatives. DIA did could not obtain evidence, nor confirm in OnBase, the Law Department performed supervision over the legal reviews of the IT General Counsel and Director of Special Initiatives legal reviews.
- In 51 contracts totaling $32,571,669 and in 49 contract covers totaling $9,032,802, the IT General Counsel and Director of Special Initiatives signed contracts using the title of "Assistant Law Director."
- In addition, we noted one contract in OnBase totaling $80,550 was missing the legal signature.

Override of Automated Controls and Application Control Weaknesses
Appropriate SODs should ensure that only authorized users in the OnBase system can review, approve or perform required functions prior to BOC or County Council approval. Authorization and approval rights for different steps in the contracting process should be allocated to users based on their roles and department needs. The transaction forms in OnBase tracks all reviews and authorizations completed.

Following all required approvals, including board approval, OnBase automatically forwards the contract and contract cover to the appropriate parties for tabbing of signatures. Tabbing a contract or contract cover for signature is OPD's role and includes electronically "tabbing" the location in the document to be signed by the appropriate legal and Executive personnel. After the document has been tabbed the user (OPD) forwards the document to the appropriate party (e.g. Law Department, County Executive's Office) for signature.

With evidence of specific examples below and noted throughout the report, certain DoIT employees performed duties in OnBase that were the responsibility of OPD, in order to expedite IT purchases. Since the County Code, Section 501.10, requires that "All purchases of goods and services shall be done by the Office of Procurement and Diversity, under the direction of the County Executive", DoIT should not perform nor have the capability to perform OPD duties established by the County to ensure fair, open, and transparent procurement of County purchases.

During DIA's testing of contracts (58 total) during the audit period, we noted the following automated and application control weaknesses:

- In nine instances, contracts with a total dollar amount of $16,264,176 were forwarded for tabbing by an employee instead of the system. Two of the instances occurred with the IT General Counsel and Director of Special Initiatives (associated contracts totaled $631,143) and six instances with OnBase Administrators (associated contracts totaled $15,628,433). Both positions are in DoIT and not within OPD, the data owner. One instance occurred with the user ID "MANAGER" (total dollar amount of contract was $4,600). DIA could not determine which employee utilized this user ID to make the change as it is not assigned to one employee and lacks accountability. In addition, DIA noted one instance when a contract cover was forwarded for tabbing by the "MANAGER" user ID instead of the system.

  Understanding there are circumstances to expedite items in the system or technical difficulties can arise that require IT intervention, there was no system in place to track these requests and ensure requests were authorized through OPD. DIA did not receive documented approval on the above-mentioned instances. However, the OnBase Administrator did note in OnBase the tabbing of specific contracts mentioned above were requested from an employee in the Executive's Office, but not OPD. Additionally, the OnBase Administrator should be capable of forwarding contracts for tabbing when authorized; however, the IT General Counsel and Director of Special Initiatives should not have this access nor perform this system function.

- In nine instances, actual tabbing of contracts for signature (tabbing the location to sign in the contract) was completed by DoIT personnel instead of the data owner, OPD. The nine contracts totaled $25,296,272. Two of the instances occurred with the IT General Counsel and Director of Special Initiatives (associated contracts totaled $9,296,269) and seven instances with an OnBase Administrator (associated contracts totaled $16,000,003). Both positions are in DoIT. There are no circumstances under which the IT General Counsel and Director of Special Initiatives should have this access or perform this function. Only if the system was not operating as intended and requested by an authorized individual in OPD should the OnBase Administrator have performed this function. No proof of documented approval from OPD was provided.

- In 25 instances, a terminated OBM employee's user ID was used to perform OBM's required approval on items after their termination date, with one instance occurring 120 days after the employee's termination date. DIA noted these 25 instances, totaling $27,588,479 in total contract amounts, occurred in a previous version of OnBase. The current version of OnBase links access to OnBase with the County's active directory (AD), so employees terminated from active directory cannot access OnBase. This would mitigate the risk DIA identified with the OBM user if employees are timely terminated from the AD.

- In three instances, one user approved multiple steps of the review process, a SOD violation. All three of these instances occurred when the IT General Counsel and Director of Special Initiatives approved the departmental and legal review for the purchase requisition. The associated contracts totaled $642,997. In three instances, a DoIT administrative assistant forwarded a purchase requisition to a BOC or County Council agenda, which is OPD's responsibility. The employee should not have access to perform this function in OnBase. The associated contracts totaled $23,654,967.

- In one instance, the buyer review was completed by the "MANAGER" user ID. Refer to first bullet point regarding issue of generic user IDs. The associated contract amount totaled $486,000.

Contract Untimely Submitted and Related Findings

Following BOC or County Council approval of purchase requisitions the contract is forwarded to an Executive Agenda for signing by the County Executive or his designee. The effective date is stipulated in the contract as well as BOC or County Council minutes. DIA noted an instance where the effective date was inconsistent between the contract, contract cover, and the minutes. For our testing DIA utilized the earliest date reflected from these sources. For most procurement items, the effective date should be after the date BOC or County Council formally authorized the purchase requisition.

During DIA's testing of contracts, POs and DOs (96 total) during the audit period, we noted the following issues on submission of contracts:

Additional findings and associated recommendations for "walk-on" contracts are noted in the "Data Oversight and Control Weaknesses Exist with the Current Procurement System" finding on page 23.

- The effective date for 29 items with a total dollar amount of $6,111,832 occurred prior to receiving board approval. DIA confirmed that no payments were made on 13 items prior to board approval. DIA could not confirm if payments were made prior to board approval on the remaining 16 items (all contract amendments) due to the legacy system in place during the audit.

- In 30 instances with a total dollar amount of $27,109,497, DoIT did not obtain all required review authorizations, including legal, OBM, or OPD review. OPD considers these items a "walk-on", since all required reviews are not obtained prior to board approval. There are circumstances, such as in the case of emergencies, where this is justified. These types of items are generally presented to the board as an immediate need to procure.

- For 62 of the contracts, POs or DOs tested (64%) totaling $31,148,505 all required review authorizations were not completed until after the board approval date. In one instance with a total contract amount of $157,366 a required review did not occur until 215 days after board approval.

Discrepancies between amounts approved by BOC or County Council and amounts listed in the contracts or contract covers

Contract amounts approved by the BOC or County Council should match the contract amounts specified in the actual contracts. DIA compared the authorized amount in the BOC or County Council minutes to amounts in approved contracts and contract covers.

DIA noted the following in testing 58 contracts during the audit period:

- The dollar amounts in three contracts totaling $311,012 were higher than the amount authorized by the BOC or County Council by $54,402. For each of these contracts the associated contract covers accurately reflected the amount authorized by BOC or County Council. The contract cover is utilized to record the encumbrance in the financial system, so the higher contract amounts were not available to spend unless subsequent board approval was obtained. Although there is an increased risk of overspending, DIA did not note any overspending on these contracts. However, the contract amounts should have been adjusted to reflect the amount approved by the board.

- Two contracts did not include a dollar amount, so a comparison to board approval could not be completed. The contracts referenced a quote for pricing, but the quote was not attached to the executed contract to ensure the correct quote was used. The total amount authorized by the BOC or County Council for these two contracts was $36,946. For each of these contracts the associated contract covers reflected the amount authorized, reducing the risk of overspending.

Risk to the County if Findings Not Corrected

When contracts are not competitively bid, the risk of the County not getting the best price may be significantly increased, it impacts the transparency of the process, and increases the risk of contract-related fraud.

When incorrect transaction forms are entered into OnBase, there is a risk of the County paying a higher price or contract fraud if justification and all required reviews are not completed.

The override of automated controls, the lack of SOD in the approval process, and other control weaknesses identified could expose the County to unauthorized expenditure of public dollars and potential fraudulent activities.

The untimely deactivation of user IDs led to a terminated employee's user ID being utilized, reducing accountability and proper authorizations in the system.

Not having an independent legal review from the business unit creates a SOD issue that increases the opportunity for fraudulent activities and lacks an objective review of legal contents within a contract. The lack of signatures on contracts or contract covers means spending might not be duly authorized.

Although DIA did not find evidence of overspending, the lack of consistency between the amount authorized by the BOC and County Council and the contract and/or contract cover means that there is risk that the County could pay more than the authorized amount. It could also lead to disputes with vendors if they request payment for the contract amount, which could be more than the board approved amount.

Recommendations

1. OPD duties performed by DoIT should be transferred back to OPD. DoIT should ensure proper segregation of duties is enforced in the system and OnBase override capability is restricted to appropriate staff to ensure that only authorized personnel can approve and make changes in the system, if necessary, and the reason why noted somewhere. Occasional reviews of history in the system should be completed to make sure that staff assigned with administrative access are not making unauthorized changes.

Management's Response:

Partially Agree in that recommendation to OnBase Access has been implemented, but takes no position on the segregation of duties issue as it is the subject of a current investigation by the Prosecutor.

As of January 31, 2018, DoIT began transitioning ownership of the OnBase System to OPD. OPD now serves the role of system owner. Since April 27, 2018, OPD & DoIT meet on a weekly basis to identify any outstanding issues with the system, determine appropriate changes to be made, and schedule those changes to the system. The ability to make changes within the system is now limited to the OPD Director, OPD Purchasing Manager and the OnBase Administrators with appropriate approvals. During the audit period, if the OnBase Administrator made a change in the system by request of staff, the authorization would be added in a note in OnBase. With the addition of the Cherwell ticketing system, the OnBase Administrator requires a ticket in Cherwell be opened to make the request. The Cherwell ticket number will be added to the notes in the OnBase system to have a more thorough written record of the changes.

Management takes no position on the other segregation of duties issues discussed in this section as the specific activities being discussed are currently being investigated by the County Prosecutor and management wishes to defer to that investigation. However, management supports the assignment of attorneys with specific legal skills and experience in a given area to the department where those skills are needed and deployed on a regular basis.

2. DoIT should institute logical controls that one person cannot approve multiple steps in the contract review and approval process.

Management's Response:

Partially Agree to the extent this section raises the same segregation of duties issues that were discussed previously for the for the IT General Counsel and Director of Special Initiatives, Management takes no position. The specific activities being discussed are currently being investigated by the County Prosecutor and management wishes to defer to the investigation.

For the balance of the issues, the recommendation will be implemented in places where the logical business flow can support alternate approvals. DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. The issue of instituting logical controls will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for prioritization.

3. User IDs need to be timely terminated from AD so that former employee credentials cannot be used by the terminated employee or another employee with knowledge of their credentials. DoIT should ensure timely deactivation of OnBase access through AD. The approval to remove a user from the system should be documented. Approval to remove a user includes communication from OPD or a termination of employee notice from HR.

Management's Response:

Agree – Recommendation already implemented with update to OnBase 2.0 in July 2017

A process was put in place in 2014 to ensure terminated employees are removed from numerous County systems. This process has documentation, process and procedures tied to it, that were not reviewed as part of the audit process. The authentication of users in the previous version of OnBase was not tied to Active Directory (AD) and not included in the termination process. With the implementation of the updated version of OnBase (OnBase 2.0) during the audit period, AD is now used to access OnBase, eliminating the need for a specific removal from OnBase. If users need to be removed that are not terminated from the County, the Cherwell ticketing system can be used to submit a request for removal. This is similar to how a user gains access.

4. The practice of allowing a generic system user ID for actions in the system, such the "MANAGER" user ID, should be discontinued. These user IDs should only be used for system jobs and not for end user input in the system.

Management's Response:

Partially Agree – Recommendation Implemented. The "MANAGER" ID can only be accessed by the OnBase Administrators and was used when items and links were broken in the system. OnBase Administrators have been instructed to use their own ID if possible to move items forward. The full discontinuation of the "MANAGER" ID may not be possible, as sometimes the system will require a "MANAGER" ID to make a change. Only in those situations where the system won't allow for the personal ID to make the change, may the OnBase Administrators use the "MANAGER" ID. In either case, the OnBase Administrators have been instructed to include notes on items they have moved that provides their ID, the requestor, reason for the change to be made & how the request was received (ex. Cherwell ticket #).

5. Under the Law Department's supervision, legal approval on contracts should be independent from management decisions of the department and they should sign contracts for legal sufficiency. The County Code should be revised to specify that an independent legal review be performed on contracts. The Law Department should maintain support of supervision for legal reviewers positioned outside the Law Department's organizational structure. In addition, accurate job titles should be used to sign contracts.

Management's Response:

Disagree. The County Code specifies that a legal review must be done for each contract. In areas of the County that require specific expertise, such as IT, the Law Department employs an effective model of having legal employees assigned to departments. This allows the attorney to work more closely with the client throughout the process and for better understanding and advice on legal matters in that these lawyers have a first-hand understanding of the issues involved and unique experience and expertise in resolving them. In the case raised by DIA, timesheets and other documentation were approved by DoIT. The job title used to sign all contracts was at the direction of the Law Director. The purpose of using the Assistant Law Director title was to confirm that this review was done on behalf of the Law Department. The individual who is most able to determine how best to deploy lawyers within the County is the Law Director and he is the one who has that responsibility. All of this was in full compliance with County Code.

6. Although there are critical situations and true emergencies when services occur prior to board approval, contracts, whenever possible, should be approved by the Board of Control or County Council and signed by the County Executive or his designee before vendors perform services or deliver goods. Having a properly executed contract protects the County from any subsequent issues related to the contract, i.e. nonperformance issues or delivery of non-conforming products.

To help prevent services from being performed prior to board approval, OPD should outline and distribute a timeline with dates on the procurement process. A timeline should be established for each type of item (e.g. contract, exemption, PO, DO) that provides department users with deadlines for each step in the procurement process. For example, OPD should identify the approximate time, in weeks, it takes to process a formal bid contract from the date the item is entered into the procurement system to the board approval day. Every review and approval process (i.e. OPD, Law, IT, Risk, OBM) should establish a day and time that items need to be in their queue to ensure the overall timeline is followed. All department users should be aware of this approval process timeframe.

Management's Response:

Agree – Recommendations have been or are in the process of being implemented. Processes are currently being implemented to reduce the instances of late contract submissions to the County Council and Board of Control. Included in the new processes are the following:

Process	Responsible Party	Date of Completion
Items without appropriate board of approval will not be paid by the Fiscal Office	Fiscal	Complete
Report for largest contracting departments on upcoming contract expirations	DoIT	September 1, 2018
Creation of timelines for each type of item & posting the timelines to the intranet	OPD	October 31, 2018
Procurement Planning Process - OPD Buyers would meet with user departments to create the purchasing plan for the upcoming calendar year. This plan would include a start/initiation date for each purchase/contract based on the anticipated procurement process, approvals needed, and historical processing times.	OPD	1) Finalize Process Plan – January 2019 2) Develop IT/data structure; Gather Info; meet with each department/agency – Jan-May 2019 3) Prepare Purchasing Plan for CY2020-CY2021 – June 2019
Process review to identify current & future state process for the ERP	OPD/DoIT/ I&P	ERP implementation in 2019

7. Any requests to use non-competitive procurement methods should be carefully examined by OPD to ensure the use of exemptions from bidding is limited and ensure the open and fair competitive process is not circumvented for reasons other than a valid business purpose. OPD should utilize their tracking system for the number of non-competitive contracts authorized by department to identify areas that may need addressed, offer additional training for the requirements and elevate the risk to the Fiscal Officer or Chief of Staff if circumstances warrant it.

Management's Response:

Agree – The County is committed to following rules related to competitive bidding. There is no indication that any items treated as non-competitive were not carefully examined and determined to be exempt from competitive bidding requirement. The County Code identifies 19 potential exemptions to the competitive procurement process, including exemptions that fall under a dollar threshold and services related to information technology that are proprietary or limited to a single source. Each of the items were brought forward for board approval as the exemption or sole source. The one RFP entered in error in the internal system, did go through the Board of Control for approval as an exemption. As noted by DIA in the report, this item was an extraordinary circumstance where the initial solicitation was an RFP process. However, for various reasons, the final contract was not ready for approval until a later date. To provide the cleanest approval, without further contract delay, an RFP exemption was approved with the originally selected vendor.

However, while no items were identified as improper, the County is committed to a full and open competition procurement methods as the default procurement method. In collaboration with others, OPD will develop and implement strategies/initiatives to significantly increase the utilization of full and open competitive procurement methods. To start, OPD will revise the "other than full and open" justification form to request more detailed information on the reason for the exemption, and/or the urgency for the exemption, and details on why the approval of the exemption is in the best interest of the County. Furthermore, the user department will be required to supply supporting documentation (i.e., cost comparisons, quotes/pricing received from the vendor and competitors, funding source requirements).

In addition, OPD is revising the sole source affidavit by requiring the user department to complete the form detailing why this good/service is the only option that meets the County's needs. Currently, the user department provides similar details in OnBase. The Sole Source Packet that is posted for five business days on the County website will now include the Notice of Intent to Purchase as sole source, the Sole Source Affidavit (submitted and notarized by the vendor), and the User Department's Sole Source Statement. These changes to the exemption process and the sole source process will be implemented by August 15, 2018.

8. If a transaction form is created for the wrong procurement method OPD should identify and require the form be deleted and resubmitted with the appropriate form to ensure all necessary reviews are completed and documented.

Management's Response:

Agree that this practice should be followed, but note that it is already being done under current OPD practice.

OPD's standard process is to have items submitted using the correct form and be processed through the correct workflow. If an item is submitted using the incorrect transaction form, the default is to have the department resubmit the item using the correct form and workflow. However, there are rare exceptions in extraordinary circumstances, as detailed in the one instance cited by DIA that will come up. In those exceptions, OPD makes sure the required reviews/approvals occur.

9. Following contract signing OPD should complete and sign off on a checklist to ensure all required documents are retained in OnBase. Specifically, OPD should ensure the following, at a minimum, is retained in OnBase:
- Contracts
- Contract Covers
- Transactions Forms
- Required Vendor Forms

OPD should create a process, such as a checklist, to verify the board approved amount, contract amount, and contract cover amount reconcile. In addition, all required documents (e.g. contracts and contract covers) should be retained in OnBase.

Management's Response:

Agree - Recommendation Implemented. The concerns set forth in this section have been addressed and corrections have been made. OPD currently has a required documents checklist that details the required documents by the process and status of the procurement item. It is available on the OPD intranet site. In addition, OPD will modify the checklist to require user departments to check and sign off that the required documents are attached AND to require the OPD Buyer to check and sign off that the required documents are indeed attached. These changes will be implemented by September 1, 2018.

Additionally, as part of the ERP Project, OPD, DoIT, and Fiscal are designing a document management system for procurement and fiscal documents required for the procurement system workflow and fiscal workflows included in the Infor/Lawson System and the OnBase Agenda Manager System.

FINDING   Data Oversight and Control Weaknesses Exist with the Current Procurement System

In 2016 and 2017, the County contracted with Hyland Software, Inc. (Hyland) to provide workflow, support and maintenance services for OnBase. There were three main phases of the implementation of the OnBase system referred to internally as OnBase, OnBase 1.0, and OnBase 2.0 spanning from 2012 through July 2017. The first two phases, OnBase and OnBase 1.0, were implemented using OneLink, a distributor of Hyland's OnBase software. At the end of 2016, prior to OnBase 2.0, the County terminated the OneLink contract to contract directly with Hyland, the developer of OnBase. As OnBase is a critical County procurement application, DIA questioned and reviewed data governance with the system.

DoIT stated their data governance policies align with the State of Ohio's Administrative Policy IT-13 – Data Classification. After requests for DoIT's policy during the audit, DIA received DoIT's updated policy in June 2018.

Since DoIT stated its policies aligned with the State's policies, DIA compared current practices for the OnBase system to the State's policy. Policy IT-13 requires the roles and responsibilities for the data owner, data custodian, and data user be assigned to individuals responsible for carrying out the required roles.

> **Data owners** are responsible for the identification and classification of information and ensuring that proper safeguards are in place for the data. This should be the business area responsible for the process, which is OPD.

> **Data custodians** are responsible for implementing the safeguards specified by the data owner and ensuring that data availability and integrity is maintained. This is generally the responsibility of the DoIT.

> **Data users** utilize the data to perform their various functions. This applies to multiple departments and roles within the County.

Data Ownership

DIA inquired with OPD and DoIT to gain an understanding of the system roles over data governance in OnBase. From responses to questionnaires and observations noted during the audit, DoIT acted in many areas of responsibility as both data owner and custodian for OnBase up until DIA made inquiries in January 2018. By the end of January 2018 DoIT began transferring responsibilities (including authorizing and maintaining use access, and the prioritization and approval of system enhancements) back to OPD. However, DoIT has not developed documented policies or procedures for OPD over the provisioning, transferring, or removal of access to ensure appropriate employees receive only the necessary access required for their job duties.

Prior to OnBase 2.0 going live the OPD Director notified the Deputy CIO and IT General Counsel & Director of Special Initiatives of concerns about the system going live. The OPD Director stated that their department had not been able to test changes to OnBase to ensure 1) These changes addressed the needs of OPD, and 2) These changes would not drastically impact the procurement process (e.g. processing errors). Against the OPD Director's wishes the Deputy CIO and IT General Counsel & Director of Special Initiatives made the decision to go live with OnBase 2.0 in July 2017, which resulted in inadequate system functionality, including the following:

- To determine the number of contracts entered as an RFP exemption, OPD must perform a manual review for RFP exemptions in OnBase. "RFP Exemptions" were removed from the method type field in OnBase so the system cannot generate a report on the number of RFP exemptions for OPD's review.

- Contract numbers had to be manually assigned by OPD to maintain chronological order after exceeding ranges of 10, 100 and 1000.

- See more examples below in the "Additional Findings Noted with the OnBase System".

Personally Identifiable Information (PII)
Policy IT-13 also requires that "Agencies shall label data for both confidentiality and criticality." There is an emphasis on identifying protected information per various government privacy regulations. An example of this is PII. PII data, such as names, numbers, and tax identifications numbers are stored in OnBase, as well as contracts with external government agencies that contain sensitive information (e.g. Homeland Security). DoIT requires end users to self-identify confidential fields and mark them confidential in the system, but there is no acceptable use policy or data dictionary to inform end users which fields should be confidential. Procurement items (contracts, transactions, purchase orders, and grants) in OnBase are available to be viewed by all OnBase users, regardless of department or involvement with the item. Unless an end user has designated something confidential, all data is open for users to view, even PII.

The risk of unauthorized disclosure of PII or other confidential information is limited to those employees whom have been granted access to OnBase. As of March 2018, there were 605 unique user IDs with general access to OnBase, which included the ability to view all records. The number of users with access to confidential information poses a significant risk of unauthorized access to PII or other confidential information. DoIT stated there are some policies around the proper use of data as well as controls to limit documents with certain confidential information from being emailed thru a County email address. However, the number of employees with access to confidential information is not in accordance with limiting access to only the information required for employees to complete their jobs and still poses a risk of unauthorized access and disclosure.

Additional Findings Noted with the OnBase System

DIA identified weaknesses in the OnBase platform through the course of inquiries, data analytics, and evidence gathered. DIA performed data analytics on the OnBase data available for DIA's review for the period of July 2017 thru December 2017 (newest upgrade occurred July 2017). OnBase was unable to provide DIA with all approval workflows, such as law and OBM approvals. This was due to the limited number of fields available in a reporting module through OnBase provided by DoIT and accessible by DIA. DIA requested additional data for item approvals, but OnBase did not have the capability to generate a reliable ad hoc report at the time. DoIT estimated the customizable information could not be provided until mid- to late 2018. DIA's first request occurred in October 2017. Without this information DIA was unable to perform complete analytics on the data.

The following is a listing of additional weaknesses identified:

- After multiple configurations over six years OnBase is not meeting some business user needs including the ability to report key performance indicators (KPI) for OPD and Small Business Enterprise (SBE) reporting. OPD manually and separately tracks this information in access databases, which is inefficient and time consuming. These access databases lack many security controls available, such as unique logins, role-based security, and a history of changes made to keywords, available in OnBase.

- No documented policies and procedures exist over the change management process for the system, nor are there formal procedures on migrating system changes from development to the production environment.

- The workflow in OnBase is designed to route the contract to OPD to prepare for the Executive's signature once approval is obtained from the BOC or County Council. However, if multiple contracts or amendments (e.g. draft contracts) exist for one item OPD must manually remove contracts that have been superseded, otherwise they will all be forwarded for electronic signing. This led to two versions for one contract, totaling over $13,000, to be signed twice during the audit. DIA did not find any evidence that both contracts were acted upon.

- Some contracts are "walked on" to an agenda for BOC or County Council meetings. Only emergencies and mission-critical items should be walked on to an agenda. However, many times walk-ons were for maintenance agreements and other items not submitted timely. These items had not gone through all the required reviews prior to obtaining authorizations required for contracts. This represents a greater risk to the County for unfavorable terms, contract steering to a vendor, and other issues that could arise from insufficient review. Due to the need to have an emergency "walk on", an emergency workflow was developed in OnBase 2.0 to expedite certain contracts while ensuring completion of all required reviews. When OPD generates the agenda from OnBase, emergency workflow items are not separated from normal workflow transactions. OPD must manually research to distinguish emergency workflows on the agenda. This

limitation in the current design has led to a low utilization rate for the emergency workflow.

- The system allows items to be future dated for BOC and County Council approval. DIA identified two instances out of 884 approved contracts between July and December 2017 in OnBase 2.0 where the date of approval entered was 2018 when the approval was obtained in 2017. Since this is a data entry error, the risk of any financial impact on the County is reduced.

- Only authorized employees from the department creating the purchase requisition should be able to complete the departmental approval in OnBase. There were seven instances out of 884 approved contracts between July and December 2017 in OnBase 2.0 where employees from the Division of Senior and Adult Services (DSAS) or Public Works authorized department approval for DoIT transactions. The department (DSAS and Public Works in this case) assigned to the transaction form changed from the original requesting department (DSAS and Public Works) to DoIT, but OnBase did not have capabilities to transfer department approval to DoIT, resulting in department approval from DSAS and Public Works for these items.

- OPD does not have access to edit transaction fields, other than the Tax ID field, nor access to edit documents in OnBase. When there are trivial data entry errors to nonessential fields (e.g. vendor name misspelled, or vendor contact information inaccurate) the end user must create a new transaction form, or the OnBase Administrator in DoIT must make the change. Since the duties of the OnBase Administrator and end user should be kept separate, this is an example of a segregation of duty violation in the system and it is inefficient for end users to have to create new forms for minor data entry errors.

Risk to the County if Findings Not Corrected

The risk that individuals might accidently, or maliciously, access confidential or protected information is greatly increased without proper safeguards in place over provisioning access and classifying data. This could potentially lead to a loss or unauthorized disclosure of data, which could expose the County to reputational risk and financial liability, and its citizens and employees to potential identity theft.

The lack of policies and procedures for change management could lead to unauthorized changes being introduced into the system. If other control weaknesses are not addressed it could result in greater risk of user error, inefficient processes, and unreliable data.

Recommendations

1. The DoIT should continue to work with OPD to transfer data ownership. DoIT and OPD should develop policies and procedures on granting access to users as part of this transition.

Management's Response:

Agree – Recommendation Implemented. As of January 31, 2018, DoIT began transitioning ownership of the OnBase System to OPD. OPD now serves the role of system owner. Since April 27, 2018, OPD & DoIT meet on a weekly basis to identify any outstanding issues with the system, determine appropriate changes to be made, and schedule those changes to the system. The ability to make changes within the system is now limited to the OPD Director, OPD Purchasing Manager and the OnBase Administrators with appropriate approvals. During the audit period, if the OnBase Administrator made a change in the system by request of staff, the authorization would be added in a note in OnBase. With the addition of the Cherwell ticketing system, the OnBase Administrator requires a ticket in Cherwell be opened to make the request. Beginning in April, a new form was implemented for OnBase access. This form requires director approval for anyone to have access to the system. The form is attached to the department request in Cherwell for OnBase access.

2. DoIT and OPD should identify and safeguard fields and documents in OnBase with critical or confidential information. This could include masking certain fields and allowing access to confidential documents only to those individuals whom require access to complete their job duties. DoIT should implement a mitigating control if OnBase cannot be designed to limit access on confidential information. The mitigating control could include electronic storage of confidential documents in a secure server location with access to authorized personnel, like OPD.

Management's Response:

Partially Agree. We agree with the need to identify and safeguard fields and documents in OnBase with critical or confidential information. However, there are multiple controls in place already to limit the ability to use confidential PII in an inappropriate manner. Users in the OnBase system are required to adhere to County data policies that identify the appropriate and inappropriate use of the data. Cuyahoga County has mitigating controls in place to identify and stop confidential PII, from being saved on a computer or emailed inappropriately. Additionally, per discussions with DIA, the only information stored in OnBase that has confidential PII included is for individuals with contracts with the County. For those items, staff will be instructed to use the current confidential flag already in OnBase. This will allow only those in the workflow to see the item during the approval process. After the item is approved, searching for the item will be limited to those that have been granted access to see confidential items.

3. The DOIT and OPD should collaborate and develop reports in OnBase that include the information required to report on KPI and SBE.

Management's Response:

Partially Agree. OnBase is a content management system and was not intended to be a source of SBE data. Therefore, it was not designed with the ability to track SBE data. That would be outside the function of the system. To implement KPI tracking would require a system redesign and would be prohibitively expensive.

However, DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. Items on KPI reports will be evaluated to determine the best location for tracking KPIs (OnBase or Infor). For those items determined to be best tracked in OnBase, they will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for prioritization.

4. DoIT and OPD should develop a formal written process on user role change management for the procurement process to ensure that proper segregation of duties exist, establish parties authorized to request and approve changes, and ensure only authorized changes are made.

Management's Response:

Agree, but this will be largely accomplished with the new ERP. The ERP System has segregation of duties that are enforced by the authorizations and roles for users. In accordance with the ERP System requirements, user departments have submitted their requests for users and associated roles/authorizations. As such, this will be fully implemented with the ERP (anticipated late 2018/early 2019). The ERP System requirements will address segregation of duties with purchasing roles (i.e., buyers, receivers, requestors…) and fiscal roles.

5. DoIT should review capabilities in OnBase and institute logical controls on transferring department approval to the appropriate department if a change in the requesting department is necessary.

Management's Response:

Agree. DoIT will review the capabilities in OnBase to implement the controls. DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. These items will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for

prioritization. For this item there are mitigating controls in place as items are still required to be presented to the BOC by the appropriate department.

6. DoIT should institute logical controls to ensure only the final contracts are forwarded to OPD to prepare for signature. If not possible, OPD will need to develop a manual process to ensure only final contracts are submitted for signing.
Management's Response:

Agree. DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. The issue of logical controls for contract forwarding will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for prioritization.

7. DIA recommends County departments work with OPD to limit "walk-ons" unless the transaction is a mission-critical emergency (e.g. critical Children and Family Services transactions). Mission-critical emergency contracts should go through OnBase's emergency workflow process to ensure the department obtained all necessary approvals before Board approval. A technology solution, if possible, should be developed to address OPD's concerns with the emergency workflow to distinguish the type of request for the agenda. This could include designating the emergency requests as a different document type so that OPD can easily identify the type of request when generating the agenda.
Management's Response:

Agree. Staff is working on a number of initiatives to reduce late contract items and walk-ons. The list is included under Recommendation 6 in the previous section. Additionally, DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. The issue of distinguishing emergency requests will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for prioritization.

8. DoIT should institute input controls so that any manual dates entered are within a valid period to ensure the records are accurate. Specifically, users should not be allowed to future date board approvals.

Management's Response:

DoIT and OPD meet on a weekly basis to discuss needed updates and changes to the OnBase system. The issue of instituting logic controls around board dates will be added to the pending list and included in the discussions for prioritization of available resources. Per DoIT/OPDs request, DIA provided an estimated risk level for each recommendation. These will be taken into account for prioritization.

9. OPD should be assigned additional permissions to edit transaction fields and documents to reduce processing time and correct trivial data entry errors, like the misspelling of a vendor name. Trivial data entry changes do not include item dollar amounts.

Management's Response:

Allowing the ability for transaction fields and documents to be edited by OPD would introduce an additional risk into the system, as there is not a way to easily distinguish a minor edit in a field, such as changing a misspelling in a vendor name, from completely changing the vendor name. The ability to edit fields must be tightly controlled because of this issue.

However, staff understands the intention of the recommendation is to allow for a more streamlined process. DoIT and OPD will consider the changes to the OnBase system as part of their weekly meetings. In addition, the implementation of the ERP may eliminate the need for some of the field edit capabilities, as the selection would be performed in the Infor system. So, ERP implementation will also be considered before prioritizing these items.

FINDING   Sealed Bids Not Properly Secured

ORC Section 307.862 requires the County to comply with specific competitive sealed bid procedures on open market contracts, such as Request for Proposals (RFP) greater than $25,000. Although this ORC section does not have specific requirements for the security of sealed bids, adequate internal controls should be in place throughout the life cycle of sealed bids to ensure the integrity of the bid process. These controls are especially needed to help prevent the manipulation of sealed bids, a common type of procurement fraud. The manipulation of sealed bids includes leaking information regarding competing bids, accepting late bids, changing bids, or re-bidding work. No complaints on sealed bids were communicated to DIA during the audit.

DIA made inquiries of OPD staff regarding the process to receive and maintain sealed bids. We gained an understanding of the security of bids received, including procedures on maintaining copies of bids in OPD and timely receipt of bids. Except for online reverse auctions, all bids are received by OPD either in person at their service window in the County's Administrative Headquarters or through parcel service. OPD opens all bids on a predetermined date, provided to the prospective bidders. This meeting is open to the public and bidders. The information presented at the public meeting will vary depending on whether the item is an RFB, RFP, or RFQ. Following the meeting, OPD summarizes the bids in OPD's office.

OPD has internal controls in place to ensure only timely received bids are included in the bid opening. This includes a time clock maintained by only one OPD employee and the requirement of a time stamp upon receipt of bids. However, DIA identified internal control weaknesses over the security of sealed bids. DIA did not assess the financial impact on the security of bids and could not conclude if these instances financially impacted the County although an increased risk existed. The following is a summary of control weaknesses identified:

Update:
During the audit in June of 2018, OPD developed procedures to address these findings.

- OPD has documented procedures for the receipt and time stamping of sealed bids as well as a process for sealed bids received after the deadline. However, the procedures do not address the logging of sealed bids, securing bids in a locked safe or cabinet upon receipt, or other control weaknesses noted below.

- Sealed bids are not logged upon receipt to ensure all bids received are opened at the scheduled public meeting.

- Bids are stored in an unlocked cabinet in OPD, which other County staff and members of the public doing business with OPD have access to during County business hours.

- The buyer in OPD assigned to the RFP sometimes accepts the sealed bids, which is an inadequate segregation of duties over bid access and the contract review process. An OPD staff member other than the buyer should accept the sealed bids to reduce the risk that a buyer could modify or otherwise manipulate a bid.

- The bids are sometimes opened with only one staff member from OPD present. OPD does not have dual control over sealed bids during the bid opening meeting.

- OPD summarizes the bids after the public opening and not during the public meeting for transparency. This includes creating a listing of the vendor names and bid amounts from the public meeting.

- There is no audio or visual recording for the public meeting of bid openings.

Risk to the County if Findings Not Corrected

The County's risk on not maintaining the integrity of the sealed bid process is increased without procedures in place to consistently secure sealed bids upon receipt. Too many County personnel and members of the public have access to the sealed bids during

business hours. The lack of a log to track bids received increases the possibility the bid opening may not include all bids timely received. These factors along with the lack of segregation of duties and dual control over sealed bids increase the risk for bid manipulation.

Recommendations

1. OPD should enhance procedures for securing sealed bids. These enhancements should include, at a minimum:

- Assignment of a staff member responsible for managing sealed bids prior to opening, and not someone directly involved with evaluating the requisition process. OPD should segregate the OPD employee in receipt of the sealed bids from the OPD buyer.
- All sealed bids should be maintained in a locked safe prior to the public meeting to open the bids.
- A limited number of staff should have access to the locked safe.
- A log sheet should be created and used to ensure that all bids timely received are included in the bid opening.
- Dual control of the sealed bids should be maintained from the time they leave the locked safe to when OPD publicly opens them.
- Summarize the vendors and/or bids in a listing with two OPD employees present at the opening meeting in front of the public and bidders instead of after the meeting. OPD employees summarizing the bids should sign-off on the results before returning to OPD's office.
- OPD should consider recording either audio or video of public bid openings, especially for large dollar contracts. This will serve as a detective control if results are ever disputed.

Management's Response:

Agreed – Implemented. As of June 7, 2018, OPD has updated its protocols around sealed bids to include the following items:

- *Staff assigned to the receptionist desk accepts bids and proposals*
- *Reinforced the awareness that the cabinet where bids are kept must be locked*
- *Implemented the requirement that the key to the cabinet is be secured in a location that requires access by another key*
- *Created a log of bids and proposals received for each requisition and will reconcile this log with the tab sheet*
- *Created a "Bid Opening" Tab Sheet that will be reconciled with the "Bid/Proposals Received" Log for that item*
- *Require two staff to be present while the bids/proposals are opened.*
- *With regards to summarizing bids, currently, OPD reads aloud the applicable and appropriate information for each bid and proposal received during the bid opening. For a bid process, that includes the bidder and the listed pricing total. For RFQs and RFPs that include the name of the bidder only. The actual*

evaluation of the bids (including verification of pricing totals) is completed as part of the tab sheet review process. The tab sheet review process includes the OPD Buyer review of administrative requirements, OPD Diversity Division review of diversity requirements (as applicable), and user department review/scoring of the technical requirements. This is not a process that should or is feasible to be done in a bid/proposal opening. The results of the reviews are detailed on the tab sheet and, for proposals, the scoring is detailed on a score sheet.

2. Consideration should be made to accept electronic sealed bids outside of the reverse auction process. This method would require logical controls in place of physical controls but could make it easier for potential bidders to submit their bids and make the overall process more efficient. If determined by OPD to be feasible, appropriate security on electronic submissions should be implemented. We recommend that inquiries be made to see if the County's new ERP system can perform this function.

Management's Response:

Agree. Currently, informal bidding and informal RFPs/RFQs are performed using the BuySpeed electronic process. Staff will evaluate the feasibility of inclusion for electronic bidding in Phase 2 of the ERP Procurement Modules.

FINDING   Required Documentation was Not Maintained

There are certain documents that are required by OPD for the completion of the contracting process. Examples of some of the required documents include:
*   Executed Contract.
*   Vendor Solicitation Proposal or Quote.
*   Certificate of Insurance.
*   Workers' Compensation Certificate
*   Form W-9.
*   State Auditor's Findings.
*   Vendor Compliance Form.

Additional documentation may be needed in certain cases such as a Sole Source Affidavit. Documents may be waived but a reason should be noted for the waiver. The document for State Auditor's Findings is also required by ORC 9.24(E), which states,

> *Before awarding a contract as described in division (G)(1) of this section for goods, services, or construction, paid for in whole or in part with state funds, a state agency or political subdivision shall verify that the person to whom the state agency or political subdivision plans to award the contract has no*

unresolved finding for recovery issued against the person. A state agency or political subdivision shall verify that the person does not appear in the database described in division (D) of this section or shall obtain other proof that the person has no unresolved finding for recovery issued against the person.

For a sample of 41 contracts tested during the audit period totaling over $6 million, DIA noted the following documents were missing from the procurement system, without the required waiver:

- 17 (41%) contracts with a total dollar amount of $1,277,520 were missing the Vendor Compliance Form.

- 6 (15%) contracts with a total dollar amount of $1,756,061 were missing support that shows performance of a search on State Auditor's Findings.

- 6 (15%) contracts with a total dollar amount of $1,313,860 were missing the Vendor Solicitation Proposal or Quote. The contract was the only document located that shows agreed-upon pricing. No evidence provided that shows a proposal or quote was submitted prior to the drafting and execution of the contract.

- 1 of the 4 (25%) Sole Source contracts with a total dollar amount of $11,340 did not have the required Sole Source Affidavit. However, all four of these contracts received a sole source exemption and approval from the BOC.

Risk to the County if Findings Not Corrected

Without the required documents the County cannot ascertain if a vendor is meeting all the County's requirements and State laws.

Recommendations

1. DIA recommends that all required documentation be submitted and approved by OPD prior to the contract getting approved by BOC or County Council. If items are being waived it should be clearly noted what is being waived and the reason.

Management's Response:

Agree. OPD strives to obtain and to maintain all required documentation in accordance with requirements. On the OPD Intranet site, OPD maintains a Required Document Checklist that details the required documents by procurement type. OPD strives to keep the OPD intranet site current with updated procurement procedures and forms. OPD will evaluate its internal controls and implement protocols to significantly reduce the incidence of missing documentation.

OPD currently has a required documents checklist that details the required documents by the process and status of the procurement item. It is available on the OPD intranet site. In addition, OPD will modify the checklist to require user departments to check

and sign off that the required documents are attached AND to require the OPD Buyer to check and sign off that the required documents are indeed attached. These changes will be implemented by September 1, 2018.

2. DIA recommends updating the County Code to reflect that a search of the Auditor of State's findings database is required in accordance with ORC 9.24 (E)(G), and support is maintained for the search.

Management's Response:

Disagree. Staff does not agree with the need to update the County Code. Unless the County has appropriately exercised its home rule powers, the ORC requirements must be met. To restate the ORC requirements in every instance, would be unnecessarily repetitive. Additionally, as items in the ORC are amended and/or moved, it would require regular updates to the County Code to make those adjustments. This regular updating would require staff capacity that is currently not available in OPD & Law for no additional benefit.

However, OPD's required document checklist includes documentation supporting that a search of the Auditor of State's finding database has occurred. This will continue to be a requirement and per the previous response, OPD will evaluate internal controls and protocols to reduce missing documentation.

FINDING   Sufficient Documentation Not Required for Alternative Procurement Methods

For a department to obtain an RFP exemption, sole source status, or an amendment to an existing contract OPD requires specific information in OnBase from the requesting department before using a method other than an open competitive process. Examples of information OPD requires and consistently requests for each alternative procurement method includes the following:

Exemption:
- *Rationale supporting the use of the selected procurement method;*
- *What other available options or vendors were evaluated;*
- *What ultimately led you to this product;*
- *Why the vendor was selected;*
- *Explanation of unacceptable delays in fulfilling the County's need that would be incurred if award was competitively bid; and*
- *Describe future plans the County can take to permit competition before any subsequent purchases.*

Sole Source

- *Will this purchase obligate the County to this or any other vendor for future purchases;*
- *What is the duration of this purchase, including number of potential renewal options;*
- *Why the requested product is the only one that can satisfy your requirements; What are the unique features of the product not available in any other product;*
- *Were alternative products evaluated;*
- *Identify specific steps taken to negate need for sole source provider;*
- *Has department bought this product in the past;*
- *What efforts have been made to reduce the reliance on sole source provider in the future;*
- *What efforts were made to get the best possible price; and*
- *Why is this price considered to be fair and reasonable?*

Amendment
- *Why this method is preferred over standard, competitive procedure;*
- *Were other vendors evaluated;*
- *If contract amendment term has begun, why it is it being submitted late; What is being done to prevent this from reoccurring?*
- *OPD requires a History/Evaluation sheet for a new contract with the same provider if amending an existing contract or the service is similar from prior contracts. The sheet requires performance indicators and the vendor's actual performance versus performance indicators, an overall rating of the contractor (Superior-Poor), and a justification of that rating.*

DIA utilized a 2017 report from the Ohio Office of the Inspector General (OIG), Report 2017-CA00014B, as best practices regarding the State's IT procurement process. The OIG recommended criteria to review before awarding a contract without or full and open competition. The OIG's report states:

When an agency is going to award a contract without providing for full and open competition, there should be sufficient justification for the action in writing; certification for the accuracy and completeness of the justification; and the agency should obtain the approval of appropriate individuals. The requirement for clear written justification ensures sufficient documentation in the procurement files to support the decision to solicit Controlling Board waiver of competitive procurement. Written justification should include, at a minimum:
- *That efforts were made to find other responsive contractors and a determination that none were found;*
- *How a determination was made that the anticipated cost would be fair and reasonable; and,*
- *A description of any other facts supporting the use of other-than-full and open competition.*

The report also recommends that a Contractor Performance Assessment process and reporting system should be established that is based on objective facts and can be supported by program and contract management data. The assessment should include, in part: performance, cost, and schedule, both positive and negative.

DIA determined these best practices in the OIG report were not followed, or at least documented as followed, during testing of 45 contracts sampled, totaling over $8.9 million in contracts or agreements seeking exemptions, sole source status or amendments during the audit period. The following was noted to recommend best practices from the OIG's report:

- 42 (93%) eligible contracts, agreements, and amendments, totaling over $8.3 million, did not have documentation showing cost comparison to other vendors or products.
- 42 (93%) eligible contracts, agreements, and amendments, totaling over $8.3 million, did not have documentation showing efforts were made to identify possible new vendors.
- 1 of the 14 (7%) contract amendments, totaling over $461,000, did not attach a performance evaluation sheet to justify the continuation of business with an existing vendor.

OPD does not require support of cost comparisons to other vendors, identify possible new vendors, or a structured performance evaluation for items seeking exemptions, sole source status, or amendments to existing contracts.

Risk to the County if Findings Not Corrected

The current process and lack of supporting documentation for alternative procurement methods results in difficulties for reviewers and approvers to appropriately justify procurement with RFP exemptions, sole source and amendment contracts.

Recommendations

1. DIA recommends that OPD review the OIG's report and implement, at the minimum, the following recommendations:

With written documentation, the procurement records should better support the appropriateness of approaching the approval board for a waiver of competitive selection. The requirement for clear and written justification ensures sufficient documentation with OPD to support the decision to solicit board approval. Written justifications should include, at a minimum:

- That efforts were made to find other responsive contractors and determination was not found.
- How a determination was made that the anticipated cost would be fair and reasonable.

- A description of any other facts supporting the use of other-than-full and open competition.

Ensure vendor selection is based on the lowest cost or most appropriate for the circumstances. When selecting most appropriate, sufficient written justification must be required to explain why the vendor was selected. Written justification for the best value should include, at a minimum:

- An explanation of the tradeoff criteria used for the determination, such as enhanced delivery schedule. experience in similar effects, and/or qualifications of the personnel who will be performing the work,
- The reason why the price premium is advantageous for the government based upon an assessment of evaluation factors identified in the solution.

Consider establishing an independent advocate in OPD specifically assigned the task of challenging barriers to the process of promoting full and open competition. The advocate could be another buyer in OPD to satisfy the independent review. The purpose of the role reflects the belief that competition is the cornerstone of any procurement system and is a critical tool for achieving the best return on investment possible for taxpayers. This advocate normally holds a senior position and may perform these duties as part of their other responsibilities, and are fully empowered to perform the following:

- Promote full and open competition and challenging barriers to it.
- Review contracting operations to identify:
  - Opportunities and actions necessary to achieve full and open competition.
  - The conditions that unnecessarily restrict it.
- Preparing annual reports for OPD comparing open and full competition items to exemption items.
- Recommending goals and plans for increasing competition.

Management's Response:

Partially Agree. OPD agrees with the intended result of the recommendation and will review the OIG Report. Subsequent to our completion of the OIG Report, OPD will assess which best practices to implement in the County's procurement process to strengthen our evaluation and analysis of alternative procurements. In collaboration with others, OPD will develop and implement strategies/initiatives to significantly increase the utilization of full and open competitive procurement methods. To start, OPD will revise the "other than full and open" justification form to request more detailed information on the reason for the exemption, and/or the urgency for the exemption, and details on why the approval of the exemption is in the best interest of the County. Furthermore, the user department will need to supply supporting documentation (i.e., cost comparisons, quotes/pricing received from the vendor and competitors, funding source requirements).

In addition, OPD is revising the sole source affidavit by requiring the user department to complete the form detailing why this good/service is the only service is the only option that meets the County's needs. Currently, the user department provides similar details in OnBase. The Sole Source Packet that is posted for five business days on the County website will now include the Notice of Intent to Purchase as sole source, the Sole Source Affidavit (submitted and notarized by the vendor), and the User Department's Sole Source Statement. These changes to the exemption process and the sole source process will be implemented by August 15, 2018.

2.   DIA recommends that OPD review and require more detail for information requested. OPD should ensure department answers can be justified if not detailed or clearly written. OPD should require additional documentation if more support is necessary to justify reasoning for an alternative procurement method.

Management's Response:

See response to Recommendation 1 in this section.

FINDING   Required Rules for Reverse Auctions Not Adopted

In 2017, the County began performing online reverse auctions to recognize cost savings. In a reverse auction, the sellers compete to obtain business from the buyer (County) and prices will typically decrease as the sellers underbid each other. During a reverse auction, the County sets a maximum bid (opening amount), normally a per unit price for a specific product (e.g. tablets, food items), utilizing an online platform. Authorized suppliers then submit bids electronically that are expected to decrease until the conclusion of the auction.

DIA assessed internal controls for the reverse auction process to ensure compliance with the ORC and that controls are appropriately designed to address high risk areas such as bid manipulation. DIA did not test the operational effectiveness of controls over reverse auctions, except for the recognized dollar amount of savings reported to DIA by DoIT using the reverse auction process. DIA performed inquiries, inspected documents and financial records, and recalculated savings reported to DIA by DoIT.

ORC 9.314 specifies the requirements that political subdivisions must follow if electing to utilize the reverse auction procurement method. ORC section 9.314(B)(1) requires, in

Update: Prior to release of this audit report OPD developed rules for reverse auctions to address our findings.

part, that a political subdivision can utilize reverse auctions, "in accordance with this section and rules the political subdivision shall adopt". ORC 9.314(B)(2) prohibits the purchase of certain contracts for real property and related infrastructure. The County did not adopt rules to govern the use of online reverse auctions until DIA made the recommendation during the audit. Although OPD had procedures for online reverse auctions, those procedures did not consist of rules that address significant topics, such as the rationale for the program and its potential cost savings.

In 2017, the Strategic Buying Group (SBG) determined that EASiBuy LLC (EASiBuy) would be the online platform the County would utilize for reverse auctions. DIA could not determine the composition of the SBG through inquiry of OPD staff, but DoIT stated the SBG included representatives from DoIT, the Fiscal Office, the Law Department, and the Innovation and Performance Office. DIA was unable to obtain an executed contract between the County and EASiBuy for online reverse auction services but did verify that no payments were made to EASiBuy, or any known aliases, directly from the County. However, DIA did obtain a Purchase Order (PO) signed by the Chief Information and Transformation Officer for zero dollars with EASiBuy as the vendor for online reverse auction services. Furthermore, the signed PO was created by DoIT and not OPD, the department authorized to create POs. In further discussion with DoIT, documents labeled as a "PO" generated by DoIT is an authorization sent to the vendor following contract approval from the BOC or County Council. In this case, however, a written contract or agreement had not been executed with EASiBuy.

Zero-dollar agreements do not require the same approvals as other types of contracts under the current County process, since the County is not liable for any payments, nor is there a formal requirement to file zero-dollar agreements with OPD for review. Although EASiBuy does not require compensation from the County, the winning bidder from the reverse auction is responsible to pay EASiBuy between 1-3% of the total contract amount with the County. With the use of EASiBuy as the primary online reverse auction platform the management and oversight of the online reverse auction process resided with DoIT, overseen by the IT General Counsel and Director of Special Initiatives. Section 501.10 requires that "all purchases of goods and services be done by the Office of Procurement and Diversity, under the direction of the County Executive". DoIT should not manage the procurement process, including reverse auctions.

Prior to EASiBuy's agreement, OPD had a contract with BuySpeed to process online reverse auctions without additional costs to the County or its suppliers. The ability to perform reverse auctions through BuySpeed was established and utilized successfully. BuySpeed is the procurement computer software used by OPD for vendors to access bids and for County departments to request bids, submit requisitions, and generate POs.

Procedures obtained from DoIT for EASiBuy and from OPD for BuySpeed lacked the methodology for setting the opening bid, calculation of savings or the process on pausing bids in progress due to technical difficulties. During review of DoIT's first reverse auction with EASiBuy, DIA noted multiple instances during the first auction where the auction was "paused" due to technical difficulties with EASiBuy's system. While EASiBuy has a process to address technical difficulties in the vendor's terms and conditions, the County did not establish procedures to address EASiBuy's technical difficulties, especially if the difficulties occurred frequently. There is an increased risk the bidding could extended past the posted time in the solicitation documentation.

Recalculation of Reported Savings for DoIT's Online Reverse Auctions
DoIT reported $869,776 in savings for a reverse auction conducted in December of 2017 for IT hardware and software. DoIT recognized savings by comparing the list price or opening amount of an auctioned item to the winning bid price. DoIT provided DIA with a spreadsheet that calculated the savings reported. DIA attempted to recalculate the savings and noted the following:

- DIA was unable to verify $623,914 of the $869,776 since the County did not purchase comparable items in the past. The identified total savings of $623,914 is confusing without separately distinguishing the different types of savings (actual versus estimated). DoIT did not have rules to document the methodology and calculation of savings for reporting purposes.

  Calculation of the $623,914 in savings appears to be a type of cost avoidance and not actual comparable savings to the County's spending. In one example, DoIT used the list price directly from the winning bidder to calculate savings when comparing the list price to the winning bid price. DoIT did not have an established

procedure to research and determine a benchmark price on calculating savings until June 2018.

- For the remaining savings reported of $245,862 out of $869,776, DoIT provided DIA with comparable items from past purchases. However, DIA was unable to recalculate actual savings with reverse auction prices due to the contract methodology following the reverse auction. Under most circumstances a PO is issued for hardware and software purchases with the purchased item, quantity, and price. The reverse auctions performed by DoIT (resulting in DoIT's reported savings of $245,862) were formalized on a contract with a fixed, blanket dollar amount. DIA could not locate the price lists agreed upon from the reverse auctions in the executed contract to confirm the winning bidders' unit prices. This increases the risk that invoiced unit prices could exceed the reverse auction unit price in future periods.

DIA received a spreadsheet with the price lists after the conclusion of our audit fieldwork for items bid in December 2017. Based on the spreadsheet and analysis provided by DoIT the following areas of concern were noted:

- o HP ProBook 650s were purchased for $748 when the price lists from the reverse auction results had a price listed of $736. DoIT stated they will contact the vendor for a credit.

- o The use of a blanket contract amount resulted in items being purchased that were not bid through the online reverse auction. DIA noted that DoIT purchased items through a catalog provided by a vendor following execution of the contract. Although the catalog was negotiated as part of the contract, some items in the catalog were not bid through the reverse auction process. The total dollar amount of items not bid through the reverse auction was over $290,000 through February 2018.

In calculating savings for the above-mentioned items, a comparison was made on a per unit price between the reverse auction and previous price paid for seven of the items reported. The reverse auction per unit prices were higher than the previous prices paid for 6 out of the 7 items and the total amount previously paid for the seven items was $20,722 less than the reverse auction results, adjusted for quantity between the two periods.

In addition, DIA reviewed four paid invoices that were a result of the reverse auctions and executed contract noted above. We confirmed that per unit prices reconciled to DoIT's reverse auction results for two of the four invoices. Due to aggregated unit pricing for the items reported, DIA could not reconcile the per unit pricing to DoIT's reverse auction results for the other two invoices. Furthermore, DIA noted POs were generated from the contracts noted above by DoIT, instead of OPD, and sent to the vendor. For three of the four invoices reviewed the vendor referenced DoIT's PO numbers as the basis for shipping the goods and obligating the County for the purchase. Per a discussion with DoIT

these POs were intended to be authorizations to ship the goods, instead of a PO that obligates the County to spend.

- DoIT was functioning in an OPD role during the audit while managing reverse auctions for software and hardware purchases and subsequently contracting with the winning bidders. This represents a lack of segregation of duties between the purchase request and procurement function.

Recalculation of Reported Savings for Sheriff's Office Reverse Auction

The Sheriff's Office issues RFPs to purchase food for the County jail each quarter. DIA recalculated DoIT's reported savings from a reverse auction conducted in the 4th quarter of 2017. DoIT compared results from the 4th quarter reverse auction to the dollar amount purchased (per unit) in the 3rd quarter of 2017, when the reverse auction was not utilized. DoIT reported savings of $30,634. In addition, DIA expanded the analysis to include the 1st quarter of 2018 to verify if the savings trend continued. DIA recalculated the reported savings by comparing unit price paid per quarter and adjusted for quantity purchased (same quantity used by DoIT) to accurately compare each quarter. The following table summarizes DIA's recalculated savings:

Description	3Q 2017 vs. 4Q 2017	3Q 2017 vs. 1Q 2018	4Q 2017 vs. 1Q 2018
Savings/(Losses) by Quarter	20,983	(4,307)	(17,447)
% (Decrease)/Increase by Quarter	-4.57%	0.9%	3.76%

For comparative purposes, the consumer price index for food, which measures inflation, recognized inflation of 0.9% for 2017 and the first three months of 2018. Theoretically, the comparison between the 4th Quarter of 2017 and 1st Quarter of 2018 resulted in a 2.86% (3.76% recalculated less .09% inflation rate) increase in spending.

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Update: Prior to release of this audit report OPD developed rules for reverse auctions to address our findings.
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DIA recalculated that DoIT overstated the reported savings from the 4th quarter of 2017 by $9,651 ($30,634 DoIT reported - $20,983 DIA recalculated). The overall cost of items purchased in the 1st quarter of 2018 increased from the 3rd and 4th quarters of 2017 by $4,307 and $17,447, respectively, even with the use of the reverse auction process. As mentioned throughout this finding, DIA was unable to confirm DoIT's methodology in calculating the savings.

Risk to the County if Findings Not Corrected

The use of two platforms for online reverse auctions increases the risk of inconsistent practices and errors. The omission of key controls in EASiBuy's and BuySpeed's procedures increases the likelihood of bid irregularities and inconsistent reporting of savings. Additionally, having two departments performing the same function increases inefficiencies and creates circumstances where incompatible duties exist for the procurement of goods. OPD is the only department authorized for procurement.

Without clear criteria on establishing opening bids for reverse auctions, there is a risk that someone could collude with an external party by setting the starting bid artificially low. Without established criteria for calculating savings there is also an increased potential that savings could be misreported, or inconsistently reported, to upper management.

There is also a risk associated with DoIT issuing their own POs as the department does not have the controls in place, nor should they have the authorization to issue POs. The vendor could also assume that DoIT's POs are valid County POs and proceed with the shipment of goods, increasing the risk that DoIT purchases could bypass the County's procurement process.

Without proper reviews and filing requirements for zero-dollar agreements, the County may execute perceived zero-dollar agreements that may be a liability to the County if not thoroughly vetted.

Recommendations

1. OPD should incorporate reverse auctions and required provisions from ORC 9.314 into the County Code. The County should establish strategic purchasing categories to target with the reverse auction process while ensuring the items prohibited from being purchased through reverse auctions by ORC are excluded.

Management's Response:

Partially Agree – Already Implemented. Staff believes the authority to conduct reverse auctions was provided for in ORC 9.314. ORC 9.314 (G) states, "If a political subdivision is required by law to purchase services or supplies by competitive sealed bidding or competitive sealed proposals, a purchase made by reverse auction satisfies that requirement. Additionally, ORC 9.314 (B)(1) does not explicitly require that a political subdivision adopt rules specific to reverse auctions prior to using a reverse auction. However, we have complied with DIA's recommendation to adopt specific rules to govern reverse auctions.

On July 2, 2018, OPD brought forward to the BOC the ability to do an alternate procurement using a reverse auction through July 2019. During the next year, OPD will work to develop formal language that will be brought forward for County Council review and approval. Target completion submission of formal language for County Council review and approval is December 2019.

2. The County should formally evaluate the EASiBuy and BuySpeed platforms for reverse auctions and determine one system to utilize. Only one platform should be utilized for reverse auctions to reduce the risk of errors or inconsistencies in conducting reverse auctions. If the County continues to use EASiBuy, OPD and the Law Department should review the zero-dollar agreement to justify the

agreement. BuySpeed has an established contract with the County as of the day of this report, with no additional fees.

Management's Response:

***Agree – Already Implemented*. As of April 17, 2018, staff was instructed to move forward using BuySpeed for future reverse auctions. BuySpeed is the current procurement software system. This system will be replaced by ERP System. If the ERP System does not have adequate reverse auction functionality, then OPD will proceed with a RFP for reverse auction services.**

3. OPD and DoIT should work collaboratively to realign areas of responsibility between the compliance and technology related processes for reverse auctions. As the procurement function, and to comply with Section 501.10 of the County Code, OPD should be the business owner on managing and overseeing reverse auctions.

Management's Response:

Agree- Already Implemented. On March 28, 2018, OPD informed all departments of the following:

OPD must be notified in advance and must supervise any reverse auctions. This includes any "proposed" reverse auctions that were previously selected as part of the cost savings effort led by DoIT. Our goal of getting the best value for the County has not changed. However, OPD must be involved throughout the entire process.

OPD, will continue to provide oversight of any reverse auctions.

4. The County should enhance current procedures for the administration of the reverse auction process. Procedures should include the following areas, at a minimum, to reduce the risk of bid manipulation and understatement of reported savings:
    *   The criteria on setting the opening bid to maximize savings.
    *   The criteria for calculating the savings achieved and reporting to upper management. This should include calculating actual savings achieved based off prior period spending and breakout from any estimated savings achieved from the totals with proper disclosures.
    *   A process should be established on pausing and reopening bids along with the required authorizations to perform these functions.

Management's Response:

Agree – Already Implemented. The rules adopted on July 2, 2018 include processes and procedures to address these audit findings.

5. DIA recommends incorporating in the County Code that all contracts, agreements, POs, DOs, memorandums of understanding. etc. be retained with OPD in the County's procurement system (currently OnBase), regardless of dollar amount. The County should consider adding zero-dollar agreements to the BOC agendas as a note, not formal approval.

Management's Response:

Management will further review this item to determine the business impact of the recommendation.

6. The County Code should include language that OPD is the only department that can issue POs to vendors. A PO should be a standardized form generated out of the procurement system by OPD and utilized by all County Executive departments. DoIT should discontinue the practice of generating and issuing POs to request that goods or services be provided. An authorization to ship with the reference to the valid contract should be utilized instead.

Management's Response:

Disagree. As noted by DIA in the audit, the items issued as "POs" by DoIT were work authorizations &/or orders. The use of the term PO is aligned with industry standards. This is not the use of the term PO in the County, therefore, DoIT will adjust the terminology used in their documents. However, as part of the ERP, adjustments are being reviewed that may bring the County in line with industry standards for terminology. Therefore, any adjustments to County Code would be premature.

7. Contracts executed from reverse auctions should only include items from the reverse auction to ensure all vendors have a fair chance to receive the contract. Negotiated contracts with catalogs should follow the procurement process without reverse auctions unless all items are bid through the reverse auction process.

Management's Response:

Disagree. The reverse auction process does allow for all vendors a fair chance to receive the contract. The process for reverse auctions completed for DoIT hardware and software was as follows: An RFP was conducted that required vendors to submit responses to the RFP by a specific deadline. Prior to the reverse auction, vendors were scored on their qualifications to identify those vendors meeting minimum qualifications and eligible for participation in the reverse auction. Once vendors were identified as eligible for the reverse auction, the reverse auction was conducted. When the reverse auction was complete, the score for the pricing component was added to the previous scoring categories to identify the selected vendor. Each vendor had an equal chance to compete for the contract.

In this item, DIA raised concerns with using catalog purchases, not included in the reverse auction for pricing. However, an item was included in the RFP and an addendum was added to clarify the RFP allowed for the vendors to submit additional items not on the list. Purchasing from a catalog from vendors selected with a competitive process and brought forward to County Council for approval is a practice that is in place in multiple areas. Vendors are selected using qualifications and pricing from a product list created based on items regularly ordered or known at time of bid. However, there are additional items that are not regularly ordered, or are not known at the time of the selection. By using catalog pricing from the selected vendor, the County is able to procure those items through an authorized contract without negatively impacting County operations. To limit the ability to purchase from a catalog of products by a vendor with a contract approved by County Council or the Board of Control would negatively impact the County's operations. Using the reverse auction process for pricing, instead of a single bid deadline, does not change the overall use of a competitive process to procure items.

FINDING **Technical Advisory Committee did not Comply with Ohio Open Meetings Act and own Operating Procedures**

Section 121.22 (C) of the ORC states, "All meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection..." A public body is defined in the ORC, Section 121.22 (B) as "Any board, commission, committee, County Council, or similar decision-making body of a state agency, institution, or authority, and any legislative authority or board, commission, committee, County Council, agency, authority, or similar decision-making body of any county, township, municipal corporation, school district, or other political subdivision or local public institution." As a public body, the County's Technical Advisory Committee (TAC) should comply with Section 121.22 of the ORC.

TAC was established under Ordinance 2012-0012 in June 2012 to replace the Automatic Data Processing Board under ORC Section 307.84. TAC is the recommending body for IT products and services according to TAC's Operating Procedures Manual. TAC serves as the primary forum to ensure that proposed IT-related purchases, contracts and services comply with current IT standards and strategy adopted by Cuyahoga County. TAC is comprised of IT Chiefs in DoIT, Health and Human Services, Board of Elections, Common Pleas Court, and the Prosecutor's Office. Although outside agencies such as the Common Pleas Court and Prosecutor's Office have representatives on TAC and Section 501.11 of

the County Code requires that all IT purchases for various agencies, like the Courts, be approved by the County's Chief Information Officer, not all IT-related procurement requests from outside agencies go through TAC approval.

In addition, Section 3.4 of the TAC Operating Procedures states: "The TAC will meet twice per month or as needed." DIA noted inconsistencies and delays in the procurement process for IT-related items requiring TAC approval, mainly due to TAC's procedure to meet "as needed". Since meetings were not held on a predetermined date, and only as needed, departments requesting approval for IT-related items were unaware when TAC approval would occur.

Also, Section 3.4 states, "The meeting will convene to review all agencies' procurement item request (in OnBase) greater than $7,500 for IT products, services and enterprise infrastructure feasibility". Section 3.6 further states that "Purchase requests over $250,000 for new consulting or IT services require an in-depth review meeting with the IT Chiefs or their designee at least one week prior to TAC meeting. TAC Meeting attendance is also mandatory for renewal of contracts, RFP, RFQ, and RFI for technology services or products greater than $250,000." However, Section 3.5 of the TAC Operating Procedures allows IT Chiefs or their designees to approve items that follow the County hardware and software standards, items under $7,500, contract changes that do not impact the technology decision and miscellaneous consumables or supporting parts.

DIA received a copy of the County's hardware and software standards, mentioned above and last revised in 2016. DIA noted revisions to these standards occurred four times since the original document was in effect in 2012. However, only the original document was on the County's website during DIA's review of the website during audit fieldwork.

DIA reviewed the TAC meeting agendas and minutes on the County's public website between July 1, 2016 and June 30, 2017. The website lists seven meetings in 2017. However, DIA did not find any agendas or minutes on the County's public website related to TAC meetings in all of 2016. In addition, two meetings in 2017 did not have minutes posted for public inspection. Therefore, the meeting agendas were not available to the public nor were the minutes available for public inspection in violation of ORC 121.22. DIA discovered that three meetings occurred in 2016 following review of the County's intranet website (not available for public inspection). All three meetings included an agenda and minutes. Following discussion with DoIT, DIA could not confirm if more than three meetings occurred in 2016; 2014 and 2015 averaged 23 meetings.

DoIT stated that TAC meeting dates were posted on the County website in the past and the meetings were open to the public; but did not consistently post meeting dates to inform the public because the public did not often attend TAC meetings. Inconsistency in following the Ohio Open Meetings Act and the TAC Operating Procedures caused minutes to not always be prepared, filed and maintained, and prior notices to not be posted on the County website to inform the public of TAC meetings.

Upon testing of DoIT POs, DOs, and contracts during our audit period, we reviewed TAC agendas and minutes for compliance with TAC's Operating Procedures, specifically sections 3.4, 3.5, and 3.6. DIA could not determine the number of IT purchases that required formal TAC meetings out of the County IT purchases, contracts, or agreements tested during the audit period. This is due to the fact the TAC operating policy allows IT Chiefs to approve IT purchase requests over the $7,500 threshold without convening a TAC meeting if the items requested meets County standards for hardware and software. TAC does not include notes in the procurement system when items meet a specific County hardware or software standard. The following provides more details:

- DIA reviewed 49 POs and DOs, totaling over $1.4 million, for compliance with TAC's Operating Procedures. We noted 27 POs and DOs totaling over $1.39 million exceeded the $7,500 threshold required to have a formal TAC meeting. Out of the 27 POs and DOs, 11 totaling $432,138 were noted in BuySpeed or OnBase as "TAC approved" during the audit period. DIA could not trace ten of the 11 POs/DOs to any TAC agenda. Upon further review with the Chief Technology Officer (CTO), CTO stated these 10 items met County hardware and software standards. Although eight of the 10 items included vendors listed in the County standards, DIA could not confirm any met the standards based on the item descriptions purchased. Neither BuySpeed or OnBase included any notes referencing the specific County standards to gain assurance these items met County standards and conformed with TAC's Operating Procedures.

- DIA reviewed 41 contracts, totaling over $6.6 million, for compliance with TAC's Operating Procedures. We noted the following:

  o 19 (46%) contracts exceeding the $7,500 threshold were noted in the procurement system as "TAC approved" but DIA could not confirm approval through formal TAC meetings . If any of the 19 contracts, totaling over $3.9 million, met County standards and did not require TAC approval, the procurement system did not include notes indicating the standards were met. 11 of the 19 contracts were amendments to previously awarded contracts. DIA could not confirm TAC approval for the original contracts as the procurement system did not include notes indicating TAC approval dates for the original contracts. DIA was unable to confirm TAC approval for the 11 amendments through review of historical TAC meetings.

  o DIA also noted 19 (46%) additional items that were over the $7,500 threshold lacked TAC approval in both the procurement system and a formal TAC meeting. DIA could not confirm TAC approval in any source reviewed (electronic or paper) for these 19 contracts totaling over $2.6 million. Again, if any of the 19 contracts met County standards and did not require TAC approval, the procurement system did not include notes indicating the contracts met County hardware and software standards.

- In addition to the above issues, DIA found nine contracts (out of the 41 tested) with a total dollar amount of $4,677,409 exceeded the $250,000 threshold that did not receive formal TAC approval in accordance with Section 3.6 of TAC's Operating Procedures. In review of the nine contracts, it did not appear the services were new consulting or IT services to the County. However, only four were procured as amendments (four as exemptions). The procurement system did not include notes indicating TAC approval was not required.

Risk to the County if Findings Not Corrected

If TAC does not comply with ORC Section 121.22, TAC could be compelled through an injunctive action in the Court of Common Pleas to obey the Ohio Open Meetings Act. If an injunction is issued, TAC must correct its actions and pay court costs, a fine of $500, and reasonable attorney fees that are subject to possible reduction by the court.

Recommendations

1. TAC should comply with ORC Section 121.22 and section 5.3 of the of the TAC Operating Policy and Procedures. TAC meeting notices and minutes should be promptly prepared, maintained, and posted on the County website for public inspection. We recommend designating an official clerk responsible for TAC records.

Management's Response:

Agree – Already Implemented. The posting of TAC meeting notices and minutes has been assigned to a Senior Administrative Assistant for DoIT. The need to post the agenda and minutes in a timely fashion has been emphasized.

2. DIA recommends TAC procedures be modified to establish a more consistent and clear process on TAC meetings and approvals. Specifically, TAC should:
- Establish a consistent day and time to meet, i.e. the first and third Tuesday of every month.
- Take out the "as needed" language in the TAC Operating Policy and hold mandatory meetings on a bi-weekly or monthly basis.

Management's Response:

Disagree. Meetings are scheduled as needed to reduce waiting time for items to go to meetings. In the past, items were scheduled for twice a month which requires items to wait for two weeks for the next meeting, delaying the procurement process.

3. To comply with County Code 501.11, DIA recommends IT items for outside agencies, including the Prosecutor's Office and Court of Common Pleas, require TAC review to ensure IT hardware and software standards are consistent and cost effective throughout the County.

Management's Response:

Outside agencies, like the Prosecutor's Office, are outside the County Executive's purview. Therefore, management cannot make statement to their processes and procedures. However, they are members of TAC and do participate in presenting their items to the Committee.

4. DoIT should leave notes in the procurement system to justify when TAC approval is not necessary for IT items that exceed the $7,500 threshold. The notes should reference sections of the County standards for hardware and software that exempt a specific IT request from going through a formal TAC meeting.

Management's Response:

Disagree. The TAC policies and procedures include various exemptions for why items that exceed the $7,500 threshold do not need to go for TAC approval. Some of those reasons include if the item is already a standard & if the item is a renewal of a previously approved item. Within OnBase, there is a flag system that DoIT already uses to identify the exemption for the approval. Each of the items referenced by DIA regarding TAC approval were identified with an appropriate flag.

5. DoIT should timely post the most current hardware and software standards document on the County's website.

Management's Response:

Agree – Implemented. The 2017 document was produced, but not uploaded as an oversight. DoIT has updated the standards for 2018.

FINDING   Unsuccessful Completion of Transparency Initiative for Posting of Contracts on the County Website

County Council passed a public transparency initiative with Ordinance 02011-044 for public notifications pertaining to County contracts, grants and loans. The requirements for this transparency initiative can be found in Chapter 5 of the ordinance and Section 501.23 in the County Code. The following is a summary of the Ordinance related to public notifications and required reporting to County Council:

- Section 5.1 – All executed contracts and purchases over $1,000 and all real estate transactions should be posted on the County's procurement website in a procurement database. The databases should be searchable by purpose, vendor, purchaser, dollar amount, funding source, department, transaction date, and other relevant factors.

- Section 5.2 - A grants and loans database shall be developed that allows for the posting online of all grants and loans either received or issued, searchable by purpose, funding source, department, date of receipt, length of term, and other relevant factors.

- Section 5.3 – All pending transactions initiated by formal, public action of $50,000 or more must be posted online for specific types of transactions, such as contracts, purchases, real estate transactions, grants, and loans.

- Section 5.4 – A special procurement events database that includes 1) Any time the County Executive initiates formal, public action to contract for goods or services that are substantially different from goods or services that the County currently contracts for or has contracted for within the last three (3) years; and 2) Any time the County Executive initiates formal public action to contract for the services of experts or consultants as provided for in Article 3, Section 9, Subsection 3 of the Charter. The County Executive should notify County Council whenever these events occur.

- Section 5.5 - Whenever a contract, or other similar agreement, is executed greater than $24,999, that is located in or primarily affects a County Council District a written notification will be provided to the necessary County Council member.

- Section 5.6 - requires public notifications from Sections 5.1 through 5.5 to be implemented no later than March 31, 2012.

- Section 5.9 - On or around the 5th Calendar day prior to each regular meeting of County Council a list of all contracts, or similar agreements, greater than $50,000 made or received, including changes or amendments that exceed $50,000, shall be provided to County Council.

DIA reviewed the public notice section of OPD's website to test compliance with the sections. The most recent contract posted was in 2016, and was the only contract posted during 2016. Prior to 2016, no contract had been posted since 2014. DIA did not identify

any links or information on OPD's website related to requirements set forth in Sections 5.2, 5.3 and 5.4 of the Ordinance mentioned above. OPD was not notifying County Council during the audit period, or as of the date of the audit report, as required by sections 5.5 and 5.9. During the audit period, the County was not in compliance with the sections noted above for Ordinance 0211-044 with an implementation deadline in the Ordinance exceeding five years for sections 5.1 thru 5.5. Prior to release of this audit report, the County was partially in compliance with this County Ordinance and began posting contracts on OPD's website.

One factor for noncompliance with Ordinance 0211-044 involves an outside firm, OneLink Technical Services, LLC (OneLink). DoIT hired OneLink in 2011 to develop the procurement database. OneLink's total contract with the County amounted to $594,013 (contract paid in full) with five amendments from November 1, 2011 thru December 31, 2016. One project objective was to develop "A publicly accessible web portal (that) will provide constituents with access to all information as defined in Ordinance No. 02011-0014," as stated in schedule A of the original contract. Ordinance No. 02011-0014 preceded Ordinance 02011-044, but requirements for public notification remained unchanged. DIA could not determine the dollar amount allocated for this project objective out of the total contract amount.

Risk to the County if Findings Not Corrected

In addition to noncompliance with the County ordinance, the County is at risk of wasting the total investment on the public procurement database if the project is not completed. Without a public procurement database, the County does not appear open and transparent to the taxpayers and restricts residents from accessing and reviewing contracts.

Recommendations

1. Discuss legal implications with the Law Department in case potential legal remedy is necessary against OneLink for not completing all the contracted services.
Management's Response:

Agree. Staff will review the contract to determine the deliverables met or unmet by OneLink.

2. The County should consider including a retainage clause in future contracts for major DoIT projects that will allow for the withholding of payment until the contractor satisfies all deliverables.
Management's Response:

Agree- Implemented. All current DoIT contracts note that statement of works must be signed off on as completed by the County prior to payments.

3. DOIT and OPD should collaborate and develop a plan to comply with Ordinance O2011-044 and County Code 501.23 and ensure all applicable contracts, purchases, and sales are accessible to the public. The plan should focus on compliance with the Ordinance in anticipation of the new Enterprise Resource Planning system.

Management's Response:

Agree – partially implemented. Contracts and loans have been posted as of June 2018

County staff has already begun work on complying with County Code 501.23. Lists of county contracts (from July 2017) and economic development loans are currently posted on the OPD website as a temporary solution. DoIT is working on more robust system that will allow for more information on contracts, grants and economic development loans. The new system will be coming online 2018.

4. Since the Department of Development (DoD) is also required to post all loans to the County's website, DOIT and OPD should collaborate with DoD, and any other department impacted by this ordinance, to ensure the most effective process is used to post loans and grants to the website, and to ensure the website includes every loan, grant, contract, etc. required by the ordinance.

Management's Response:

Agree – Partially Implemented. See response to recommendation 3.

5. The County should inquire with other County governments required to post contracts to the public, such as Montgomery County in Maryland, to identify best practices and develop a practical process to comply with the ordinance.

Management's Response:

Disagree. As County staff is already in process of developing a system to comply with the specific requirements outlined in County Code Section 501.23, a law specific to Cuyahoga County, this is unnecessary.

FINDING   Recommended Revisions to County Code 501

Following approval of the Cuyahoga County Charter, effective January 2010, County Council established the Cuyahoga County Code (Code). The Code is a compilation of ordinances enacted by County Council. An ordinance is a type of legislation that is of a general and permanent nature. The ordinances have been codified, chaptered, indexed and updated as County Council amends or establishes new ordinances. In January 2011,

Ordinance 2011-0002 enacted Chapter 501 of the Code title "Contract and Purchasing Procedures". Chapter 5 codifies the procurement process, including the County Executive's authority and required approvals. During DIA's audit of the procurement process related to IT contracts, we reviewed Chapter 501 of the Code with the following objectives:

1. Confirm, through testing of procurement items related to IT purchases, the County complied with Chapter 501 of the Code.

2. Review Chapter 501 of the Code for clarity and ensure Chapter 501 incorporates necessary requirements on the County's contracting and purchasing process.

1. Confirm, through testing of procurement items related to IT purchases, the County complied with Chapter 501 of the Code.

During DIA's testing of procurement items related to IT, we noted the following noncompliance with Chapter 501 of the Code:

- OPD established procedures under the Administrative Rules Board as mandated by Section 501.22 of the Code. However, the Administrative Rules Board temporarily approved the procedures. Consequently, the procedures were not posted to Administrative Rules Board's website.

- Although outside agencies such as the Common Pleas Court and Prosecutor's Office have representatives on TAC and Section 501.11 of the County Code requires that all IT purchases for various agencies, like the Courts, be approved by the County's Chief Information Officer, not all IT-related procurement requests from outside agencies go through TAC approval. Noted in the "Technical Advisory Committee did not Comply with Ohio Open Meetings Act and Own Operating Procedures" finding on page 47.

- The County did not comply with Code 501.23, which requires posting of a procurement database for public inspection. Noted in the "Unsuccessful Completion of Transparency Initiative for Posting Contracts on the County's Website" finding on page 52.

- Section 501.10 requires that "all purchases of goods and services be done by the Office of Procurement and Diversity, under the direction of the County Executive". DoIT should not be tasked with overseeing the procurement process, including reverse auctions. Noted in the "Required Rules for Reverse Auctions Not Adopted" finding on page 40.

- Section 501.17 requires that "all contracts, purchases, sales, leases, grants, or loans must undergo legal review before being executed. Use of a standard form, approved in advance by the Law Department, for a specific type of transaction shall satisfy the requirement of this section." DIA noted SOD issues involving the IT General Counsel and Director of Special Initiatives position while performing legal reviews. 54 legal review authorizations were completed by the IT General Counsel and Director of Special Initiatives. The Law Director did not believe this

was noncompliance with the County Code. Noted in the "Overriding of Automated Controls and Segregation of Duty Issues" finding on page 9.

2. Review the Chapter 501 of the Code for clarity and ensure Chapter 501 incorporates necessary requirements on the County's contracting and purchasing process.

Based on DIA's review of the Chapter 501 of the Code, we noted the following in respect to the language contained in different sections of Chapter 501 of the Code:

- Chapter 501 is titled "Contracts and Purchasing Procedures" but the content of the chapter provides guiding principles (policies) of the County contracting and purchasing process. County procedures are reviewed and approved through the Administrative Rules Board under Chapter 113 of the Code, while County Policies fall under the authority of the County Council.

- BOC has approval authority for all contracts, purchases, sales, grants provided by the County, or loans provided by the County resulting in the County's expenditure of more than $500 but not more than $500,000. Having the BOC approving all purchases over $500 makes the number of items to review very voluminous and takes time away from items with greater spending. If the BOC's approval threshold is raised from $500, items with a more significant financial impact on the County could be better vetted by OPD and the BOC.

- Section 501.06 empowers the Law Department to authorize minor deviations from approval actions of contracts including, but not limited to, the identification of the vendor's name and starting and ending dates. However, the section does not provide exemptions from this Code (e.g. major County-wide projects), nor does it provide a dollar threshold. Revisions of starting and ending dates for high dollar contracts could have a financial impact to annual budget distribution, which should not be considered a minor deviation from approval actions.

- 6 of 41 (15%) contracts tested were missing support to prove performance of a search on the State Auditor's Findings, as required by ORC 9.24(E). Noted in the "Required Documentation was not Maintained" finding on page 33.

- County has not adopted any rules to govern the use of online reverse auctions as required by ORC 9.314(B)(1). Noted in the "Required Rules for Reverse Auctions Not Adopted" finding on page 40.

- The Code does not include requirements on zero-dollar agreements, including authorization and filing requirements. Noted in the "Required Rules for Reverse Auctions Not Adopted" finding on page 40.

Risk to the County if Findings Not Corrected

The County is at risk of potential liabilities if requirements are not followed in the Code. Furthermore, not having a clear and detailed policy and procedure manual for the County contracting and purchasing process could lead to the following risks:

- A lack of clear policies makes them subject to interpretation that can result in misunderstandings and inconsistent practices.

- Lack of a policy and procedure manual could create inefficiencies in the procurement process.

Recommendations

1. Although the Administrative Rules Board temporarily approved OPD's Policy and Procedure Manual, OPD should revise and seek formal approval from the Administrative Rules Board during development of the new ERP system.

Management's Response:

Agree. OPD's Policy and Procedures Manual was approved by the County (O2011-0014). In addition, all of OPD's Procurement Procedures were submitted to the Administrative Review Board (ARB) for review/approval in 2015. On March 2, 2015, the ARB voted for temporary approval to OPD's Procedures (ARB2015-0008). Since then, there have been two (2) major procurement/agenda software implementations (MyPro in 2016 and OnBase 2.0 in 2017). After each of these implementations, OPD has updated its procedures and posted them on the OPD intranet site. OPD maintains procedures for a large quantity of processes.

Currently, the ERP system is being designed and will have a significant impact on OPD procedures. The Procurement component of the ERP is being implemented in two (2) phase: Phase 1 tentatively scheduled to go-live in April 2019 and Phase 2 anticipated to go-live approximately 4-6months later. As such, OPD anticipates submitting formal procedures to the ARB in tandem with the go-live of Phase 2 of the Procurement component of ERP. In the interim, OPD will continue to keep the OPD intranet site updated with current procedures and requirements. Also, OPD will continue providing annual trainings and department and/or topic specific trainings as needed and upon request.

2. The word "Procedures" in the title of Chapter 501 of the Code should be replaced with the word "Policies" to reflect the content and purpose of Chapter 501.

Management's Response:

Agree. Staff agrees with the change. OPD will plan to take this item to County Council as part of the next time OPD brings a larger revision forward to County Council.

3. Section 501.06 of the Code should provide specific examples of minor deviations the Law Department is authorized to approve. For example, deviations from approved starting and ending dates should not exceed six months and should not be allowed for large projects over a specific dollar amount, such as a major County-wide project.

Management's Response:

Disagree. The listing of specific examples within the County Code can be interpreted to allow for only those items that are listed as approved minor deviations. To list all potential scenarios would be impossible, and create an increase in minor items coming forward to County Council or BOC for review and approval. This is in direct conflict with Recommendation 4 in this audit and will likely cause regular delays in projects.

4. The County should consider raising the minimum dollar amount for purchases requiring BOC approval to allow OPD and the BOC to concentrate their efforts in vetting purchases that could have a bigger financial impact on the County. If the threshold cannot be raised, the County should consider establishing less restrictive procedures on small purchases (e.g. between $500 and $10,000) so OPD and the BOC could focus more on purchases of a higher dollar amount (e.g. $400,000). The less restrictive procedures should include a review process to ensure the prevention of split transactions.

Management's Response:

Agree. Staff agrees with DIAs recommendation to increase the minimum dollar threshold of purchases requiring BOC approval. County Executive staff will work with County Council to determine what an appropriate threshold would be to allow for OPD and BOC to concentrate on larger purchases.

5. As recommended throughout this audit report, DIA recommends OPD and DoIT comply with Chapter 501 of the Code and update, as necessary. Specifically, with the sections referenced in this audit report.

Management's Response:

See management response for each of the items referenced.

FINDING   **Lack of Comprehensive IT Asset Management Operating Procedures Led to Unaccounted for and Potentially Obsolete Assets**

Best practices for IT asset management require organizations to track their IT assets and maintain a complete and accurate accounting. This includes having a centralized system that accounts for the presence and purchase of all the hardware and software assets. Having an IT asset tracking system can provide early warning signs of missing assets. In addition, the regular verification of the data against the existing physical assets would allow management to identify issues and correct them on a regular basis.

While reviewing DoIT contracts, DIA selected a sample of invoices to test and verify physical existence of hardware purchases, such as laptops and wireless access points. We also asked DoIT for their asset management process and requested a complete listing of IT assets and inventory.

Per DoIT management, several methods were used during the audit period to record assets. Four separate tracking methods were in place. IT was also integrating IT asset tracking to one system, Cherwell, during the audit. In review of the various IT asset listings in November 2017, the listing was outdated and not always complete for the serial numbers, date of purchase, location, and item cost. The various asset listings generated for DIA at the beginning of the audit included all assets on the County's network, so assets in storage or assets never logged into the network were not on the listing, which increases the risk of missing assets. In December 2017, DIA received an updated asset listing from Cherwell that included assets in storage.

Update:
In June 2018, DoIT provided a more comprehensive procedure manual on IT asset management to address DIA's concerns noted in this finding.

Also, DIA requested formal operating procedures pertaining to asset management in September 2017 and subsequently received written procedures on DoIT's tracking of IT assets. The one-page operating procedures did not address the asset management methodology used by DoIT to better manage the County's IT assets.

During the audit period, databases were used to track IT assets but tracking IT assets in a database does not ensure the assets are tracked after acquisition or the physical locations of the assets are known. For example, paragraph six of DoIT's operating procedures referenced above mentions how the DoIT Business Unit validates any entry of IT assets into DoIT's asset system by personnel in DoIT's Operations Unit and references the County Code section relevant to the tracking of assets. The operating procedures did not spell out how the tracking of IT assets is done throughout the lifecycle of the assets because entering the assets at acquisition does not ensure that subsequent changes or disposals of the assets are tracked. Tracking the IT assets requires more than the initial recording of the asset information at acquisition.

In addition, the number of assets in storage could not be determined. DoIT has two locations for asset storage within the County Administration Headquarters. However, DIA became aware of a secured cell at MCPc, a DoIT vendor, where County purchased assets are also stored. During our physical review of assets, DoIT could not timely locate IT purchases during our audit period ending June 2017. In some cases, following approval of contracts, DOs and POs related to IT purchases, DoIT may distribute assets from storage to the purchasing department. DoIT then uses the newly purchased assets to replenish its stock. This leads to risk of items becoming obsolete and unnecessary costs if storage is overstocked. DIA noted laptops purchased in 2016 were still in storage in 2018 (details below).

DIA selected a sample of 327 IT hardware items with a total dollar amount of $355,172 from 29 POs and DOs tested during our audit period. We attempted to physically verify the existence of the 327 items by reconciling serial numbers from vendor invoices to the actual items at the specified locations. For IT hardware not easily accessible, such as wireless access points and servers located at a data center in Columbus, Ohio, DIA virtually verified the existence of these items with DoIT. The following details our results:

Number of IT Hardware Items Tested	Number of IT Hardware Items with Discrepancies Noted
327 ($355,172)	60 ($39,394)

To expand on the above table, below are the following issues in detail:

- DIA visited the Emergency Operations Center (EOC) in the Juvenile Justice Center to inspect 40 computers (10 "HP ProBook 650" and 30 "HP ProDesk 600" computers) purchased in 2016 for a total dollar amount of $24,394. DIA was informed the EOC did not receive the computers purchased directly from the vendor. Instead, since EOC required the computers immediately for the Republican National Convention DoIT distributed computers from inventory. The 40 computers purchased were stored in DoIT's inventory upon delivery. Due to an incomplete asset listing, DoIT could not immediately locate the 40 computers during DIA's physical inventory in December 2017. In January 2018, DoIT was able to locate the equipment and provided a report of 38 computers with the relevant asset information, such as location and serial numbers. The two remaining computers were subsequently found by DoIT in March 2018. DIA physically verified the existence of all 40 computers but noted the difficulty in originally locating the 40 computers purchased in 2016. Also:
  - The two computers subsequently found by DoIT in March 2018 were in a DoIT office and in a room marked as "Electrical Room".
  - To support the above notation on potential obsolete and outdated items, DIA noted 11 of the 40 computers were still packaged in the basement of

the County Administrative Headquarters in February 2018 while the vendor shipped the items in August 2016.

- In 2016, DoIT paid for 20 wireless access points (routers) for nearly $15,000 to replace 20 missing routers sent to DoIT in 2014, during construction of the County Administrative Headquarters. After receiving a list of all routers in the County from DoIT and confirming with the vendor, MCPc, DIA was unable to locate the 20 replacement routers within any County building. See more on this issue in the "Unaccounted for Wireless Access Points" on page 63.

Risk to the County if Findings Not Corrected

DoIT did not have comprehensive IT asset/inventory operating procedures on tracking assets. During the audit, DoIT was migrating multiple databases to Cherwell to consolidate any available asset lists. During the audit, the procedures and databases in place resulted in control weaknesses and difficulties in locating assets. The lack of strong controls over the management of IT assets and inventory exposes the County to potential theft or loss of County assets. The County is unable to maintain a complete and accurate accounting for its assets, which is essential to the protective custody of the County's property and annual financial reporting.

Recommendations

1. DoIT should review the current asset management procedure and develop a more comprehensive procedure on asset tracking related to DoIT operations. The procedure should be clearer and more detailed to ensure DoIT personnel can comprehend, enforce, and manage the process on tracking assets. Accurate recording, identification, valuation, and reporting procedures must be established so that informed decisions to maintain, modify, rehabilitate, find an alternative use for, or the disposition of assets can be made. Specifically, the procedures should include the following:
- Personnel who can receive and record new assets.
- Proper segregation of duties on receipt, recording, and tracking assets.
- Required information necessary for tracking (e.g. model and serial numbers, assigned user, physical location, purchase date).
- Monitoring of asset maintenance needs and performance (e.g. software upgrades and routine maintenance).
- Continuous assessment of use and functionality.
- Planning and execution of the removal and disposal of assets, closing or cessation of contracts and licenses, and proper deinstallation (ensuring assets are wiped or destroyed in a way the data can no longer be accessed or reconstructed).
- Selecting a method for disposal, including retirement, replacement, renewal, or redeployment.

Management's Response:

Agree – Already Substantially Implemented. DoIT has developed more extensive Asset Management Operating Procedures that address DIA's concerns. The procedures have been reviewed by DIA to confirm they meet necessary standards. DoIT has updated the procedures based on DIA feedback and will communicate them to all staff with full implementation by September 1, 2018.

2. DoIT should strengthen its IT asset management processes and systems, including developing a uniform, enterprise-wide IT asset tracking system to manage and track IT hardware assets. DoIT was in the process of developing one database to track and record IT assets during the audit. We recommend DoIT use bar code tracking, if cost efficient.

Management's Response:

Agree. DoIT is using the Cherwell system to track devices that are provided to large groups of individuals at the County, such as desktops and laptops. Additional development work is necessary for all IT assets to be tracked in the system. This is scheduled to be complete by December 2019.

3. DoIT should better anticipate the needs for IT assets to avoid having IT assets such as computers sit in storage areas for a year or more to avoid obsolete and outdated hardware. TAC should recommend departments use assets in storage prior to purchasing new items to avoid excess assets in storage.

Management's Response:

Agree – Already Implemented. Over the last few years, DoIT implemented changes to the maintenance processes for laptops and desktops. These changes extended the lifecycle of the laptops and computers currently in operation. The only laptops and desktops currently remaining in storage are those awaiting deployment to a specific department.

4. DoIT should assess and establish the appropriate level of IT assets in storage and periodically analyze the number of assets in storage to maintain an adequate inventory, including the assets in the storage cell at MCPc. Once inventory is at a more manageable level the use of a third party to store inventory should be discontinued.

Management's Response:

Agree – Already Implemented. Items have been removed from the storage cell at MCPc.

FINDING   Unaccounted for Wireless Access Points

Cuyahoga County established a Capital Asset Policy and Inventory Policy through administrative code to ensure County assets and inventory were adequately recorded, tracked and safeguarded from loss or abuse. Section D (4c) of the Capital Asset Policy and Inventory Policy of the County Administrative Code (A202-17.001 and 17.002) states:

If an asset is lost or stolen, protective services must be notified and the proper procedure followed. The Fiscal Department must receive a copy of the incident report.

DoIT was in the process of establishing a formal procedure on tracking and monitoring DoIT assets during the audit. The procedure references the above section of the administrative code.

Of 29 POs and DOs reviewed during our audit period, totaling over $1.3 million, DoIT did not comply with the County's policies for one PO approved by the BOC involving purchase of wireless access points (routers). In 2014, DoIT purchased 100 routers for approximately $75,000 from MCPc for the new administration building. Upon delivery, 20 routers worth approximately $15,000 went missing. According to DoIT, MCPc immediately sent 20 replacement routers in 2014 and requested payment for the 20 replacement routers or return of the 20 replacement routers if DoIT located the original 20 routers.

DoIT received approval from the BOC in 2016 to pay for the 20 replacement routers. DoIT's justification for the 2016 payment is noted in OnBase as follows: "In April of 2014, the DoIT purchased and received ten ten-packs clean air domains for wireless access points (100 total routers). The total purchase of $77,392 was received and signed for by DoIT. After signing for the shipment, two packs (20 routers) were subsequently lost. The vendor replaced the missing routers with the understanding the County would either pay for them or return the order should the original twenty routers be found. This was a rush order as it was for the wiring of the new County Administration Building".

DoIT never reported the missing routers to Protective Services or the Fiscal Office as required by the County's Capital Asset Policy and Inventory Policy. Instead, DoIT conducted an internal investigation but the routers were never found. DoIT did not maintain any support related to the internal investigation. Although DoIT developed a written process during the audit and referenced the County's Capital Asset and Inventory Policy, the procedure does not specifically state how missing assets should be handled.

Upon further testing of the 20 missing routers, DIA was unable to verify that DoIT received the 20 replacement routers after reviewing a listing of routers located within County buildings during the audit. DIA obtained a listing of routers on the County's network from DoIT. We also requested and obtained a list from MCPc of serial numbers

for the original 100 routers purchased in 2014 and the 20 replacement routers sent in 2014 (120 total). DIA expected to identify 80 of the original 100 routers purchased were within County buildings during the audit. We also expected to detect and identify the 20 replacement routers were in County buildings during the audit. DIA compared the serial numbers from MCPc to routers on the County's network, generated from the listing provided by DoIT. None of the 20 replacement routers' serial numbers from MCPc reconciled to the County's list. Furthermore, 16 of the 20 routers originally reported as "missing" were on DoIT's listing, signifying 16 routers of the suspected 20 missing were in use during the audit and on the County's network.

Risk to the County if Findings Not Corrected

Failure to comply with the County's policies related to missing assets could result in misappropriation of County assets. If Protective Services is not notified in a timely manner of any missing or lost assets, proper steps cannot be taken to investigate the issue and to take corrective action that could prevent further loss of County assets. Due to the lack of strong controls and a comprehensive procedure manual pertaining to the tracking of IT assets, DoIT was unable to accurately track the routers.

Recommendations

1. The DoIT should comply with the County's policy and notify Protective Services of any theft or loss of County IT assets in a timely manner, and a copy of the incident report should be sent to the Fiscal Office.

Management's Response:

Agree – Already Implemented. The new IT Asset Management Operating Procedures include a more detailed and thorough process around tracking and reporting on County IT assets.

2. The DoIT should incorporate verbiage from the County's Capital Asset and Inventory policies into their formal procedures. DoIT's formal procedures should include clear and detailed procedures that will provide guidance to IT personnel related to missing assets, including the recording, tracking and decommissioning of IT assets.

Management's Response:

Agree – Already Substantially Implemented. DoIT has developed more extensive Asset Management Operating Procedures that address DIA's concerns. The procedures have been reviewed by DIA to confirm they meet necessary standards. DoIT has updated the procedures based on DIA feedback and will communicate them to all staff with full implementation by September 1, 2018.

3. The DoIT should consult with the Law Department on recovering the cost of the missing routers from MCPc.

Management's Response:

DoIT will consult with the Law Department to determine the ability to recover the cost of the missing routers from MCPc.

FINDING   Control Weaknesses Noted on Payments to One Vendor Responsible for Large County Project

After responding to a request for proposal (RFP), the DoIT contracted with OneCommunity for Wide Area Network (WAN) services between May 1, 2008 and August 31, 2013, for a total amount not to exceed $14.2 million. The main deliverable was to provide broadband and high-speed internet connections to local government agencies while connecting necessary services like the Cuyahoga Regional Information System (CRIS), now called Criminal Justice Information Sharing, between the County and local law enforcement/courts. The scope of work consisted of six (6) subparts:

- Category A - Provided core network connections to public switched telephone networks and internet. This allowed the County DoIT to function as the head end location for redundant, secure internet services.

- Category B - Provided remote site connections to the core network and public switched telephone networks. The design of the new WAN allowed the County DoIT to function as the head end location for the multiprotocol label-switching WAN circuits to support the needs of CRIS Departments.

- Category C - Provided services to connect the Juvenile Justice Center, County's Justice Center, and Cleveland Clinic's Crile Building with the County's DoIT.

- Category D - Configure WAN security.

- Category E - Provide County WAN and CRIS monitoring, management and maintenance services.

- Category F - Provide wireless services for the County's Justice Center, Administration Building (1219 Ontario St.), and Old Courthouse.

DoIT amended the original contract 43 times to increase funds, decrease funds, or to change the terms of the contract. The amendments ultimately resulted in a contract extension to December 31, 2014 for net additional funds of $800,000, bringing the total contract amount to approximately $15 million.

In addition, the BOC approved an RFP exemption on December 5, 2016, which resulted in a contract with OneCommunity in the amount of $370,975 related to transition services rendered though May 1, 2015. DoIT's General Counsel and Director of Special Initiatives performed the legal review on the contract and presented the contract to the

BOC. According to the BOC agenda, "This contract provides payment to OneCommunity for wide area network/communication services rendered during the County's transition from OneCommunity to AT&T during the indicated period. This prevented a disruption in WAN/communication and County operations. Services were provided at the same rate charged under the original contract period."

The Chief Technology Officer told DIA that DoIT performed an audit with OneCommunity during the transition period to determine services performed and money owed to OneCommunity. DIA obtained the voucher and supporting documentation of the payment from the Fiscal Office. No invoices or proof of services performed on the audit from OneCommunity accompanied the support submitted to the Fiscal Office for payment, only the contract approved by the BOC. In further testing, DIA obtained a spreadsheet from the DoIT General Counsel and Director of Special Initiatives listing dollar amounts charged per month per location by OneCommunity. The following was noted in review of the spreadsheet:

- The spreadsheet listed monthly services performed for each category in 2014. Services appeared consistent with the original contract and did not appear to be for transition services. DIA could not verify services rendered during the County's transition from OneCommunity to AT&T, based on the spreadsheet alone. In fact, the BOC agenda had lined-out verbiage that noted the payment was "in connection with Contract Nos. CE0800381 and CE1300252 for various Wide Area Network expansion, enhancement and replacement services for use by various County Departments and Cuyahoga Regional Information System Agencies for the period 5/1/2008 - 12/31/2014." The lined-out version appeared to be the reason for the payment, based on DIA's reconciliation below, and not for transition services.

  Also, in review of previous amendments, the DoIT received approval from the BOC on October 6, 2014 for $480,000 for additional funds and to extend the contract period through December 31, 2014. It appears the approval of $480,000 should have covered additional services related to the original contract through December 31, 3014, which appears to be the reason for the $370,975 payment.

- The spreadsheet also contained the total dollar amount of payments from the County to OneCommunity for services performed in 2014 by category. DIA attempted to reconcile actual payments made from the County to OneCommunity for 2014 services, as listed on the spreadsheet. In review of those payments, DoIT did not have adequate monitoring controls in place to verify services were rendered and to ensure timely payment of all invoices. Invoices were not submitted timely for payment in 2014.

- DIA also noted adjustments (increases) to previously paid invoices occurred months after the original invoices in 2014. Invoices stating "increased rates" led to the revised invoices. Due to the untimely payments and confusion surrounding the adjusted invoices, DIA had difficulty reconciling all payments and services rendered in 2014 from the spreadsheet. See the following table for DIA's overall results. If

any invoices were outstanding in 2016 when the County paid $370,975 to OneCommunity, it did not appear the County owed more than $251,193.

Services Rendered in 2014	DIA Recalculation	One Community Calculation
County Paid to OneCommunity - Based on County's records	$1,151,696	$1,031,914
County owed to OneCommunity - Based on Spreadsheet	$1,402,889	$1,402,889
Total (owed) as of 12/31/2014	($251,193)	($370,975)

- Following this reconciliation, DIA again requested more support from DoIT for the $370,975 payment. DIA received two emails from OneCommunity to DoIT in late 2014 and early 2015 related to an outstanding balance owed to OneCommunity. Again, DoIT did not provide DIA with invoices from OneCommunity related to these services. According to OneCommunity's records, the County still owed over $380,000.

We also noted the Fiscal Office lacked effective controls to ensure payments were made against OneCommunity's contract encumbrance. In 2014, OneCommunity received a $400,000 payment for "Remote Operations Services in 2013" according to the invoice. The $400,000 payment was recorded in the finance system without reducing OneCommunity's encumbrance (contract amount). This allowed DoIT to make additional payments on the contract amount. No detail of services provided was attached to the invoice.

DIA identified an additional control weakness with review of the 2014 vouchers. The payment of services should be approved by an individual with the authority to approve vouchers that resides within that department. Some of the vouchers to pay OneCommunity were authorized by the former OBM Director. This individual was not responsible for authorizing vouchers for DoIT.

Risk to the County if Findings Not Corrected

The County is at risk of paying vendors for services not performed if invoices are not maintained or the County cannot provide proof services were performed to warrant payment. Also, the County is at greater risk of paying vendors more than necessary if invoices are not reviewed and timely paid. Payments made without encumbrances put the County at risk of exceeding approved contract amounts. Also, changes in previously invoiced amounts should be immediately questioned for validity.

Recommendations

1. All payments should be supported with signed invoices or a proof of work document. The DoIT should not sign and submit vouchers for payment without underlying support to prove performance of the services. The Fiscal Office should not issue payment unless support is attached to the voucher proving services were rendered.

Management's Response:

Agree – Already Implemented. Staff is continuing to improve processes across the County. In March 2018, Fiscal implemented additional requirements for invoices and voucher to be paid to include a date of when services were delivered.

2. All contract payments over $500 should be posted against a contract encumbrance. Although system controls in the new ERP will not allow such payments without an encumbrance, the Fiscal Office should have preventative controls in place in the current system to ensure contract payments over $500 are posted against an encumbrance to ensure an accurate contract balance.

Management's Response:

Agree – Already Implemented. Fiscal has added controls in place that ensure payments will not be made unless an approved contract is in place.

3. Any contracts submitted to County Council or BOC needing additional contract funds for services performed in the past should be accompanied by outstanding invoices or record of work performed. OPD should ensure support is attached in OnBase before submitting for Board approval.

Management's Response:

Agree. OPD has continued to update processes. Items were services were previously provided are noted separately on the BOC and County Council agendas.

4. The County should consider recovering the difference between DIA's reconciliation and the amount paid to OneCommunity in the amount of $119,782.

Management's Response:

The payments to OneCommunity resulted from a negotiation over a dispute as to the amount owed to this vendor.