



## Douglas County Internal Audit

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July 27, 2019

Douglas County Board of Commissioners  
1819 Farnam Street, Suite LC2  
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft, PJ Morgan, and Chris Rodgers

Eric Carlson, Purchasing Agent  
1819 Farnam St.  
Omaha, NE 68183

Dear Commissioners and Mr. Carlson:

I have completed a contract compliance audit for Douglas County. The purpose of the audit was to assess compliance by vendors and the County with the pertinent terms of a set of specific contracts. The audit revealed that contractual terms were materially followed by both parties. The audit, however, did reveal aspects of contract compliance monitoring that could be improved but were not considered significant enough to present in this report. The findings and specific recommendations were presented in a separate memo that was issued to the appropriate personnel.

### **Background**

County policy requires that formal bidding procedures must be followed when the total cost of a purchase or series of purchases is expected to be at or above \$50,000. Following the bid award a formal contract may be required. An analysis of the expenditures over the scope period showed that there were 263 vendors paid by the County who received more than \$50,000 in payments which totaled approximately \$73.8 million (excluding tax revenue and payroll related payments). This represents a substantial portion of the total goods and services received by the County.

It is important for the citizens of the County that vendors as well as the County comply with the terms of their agreements. The monitoring of agreements within the County is decentralized. Each office and department where contractual goods or services are received is responsible for monitoring contract compliance. Monitoring for compliance includes making sure that:

- Vendors provide goods and services according to contractual specifications.
- The County fulfills its responsibilities according to contract terms.

- Performance bonds and insurance policies protecting the County are secured and properly maintained.
- Vendor billings reflect the actual receipt of goods and services provided and the accurate extension of prices and quantities.

### **Objective**

The specific objective of the audit was to determine if the County and the vendors were honoring the terms of their agreements including the verification by County offices and departments of the quality, quantities, and prices of the goods and services prior to payment.

### **Scope**

The audit examined payments made during the period from May 1, 2018 through April 30, 2019. Twelve vendors who received payments of more than \$50,000 during the scope period were judgmentally chosen to see if the related contract terms were being followed. The twelve vendors selected were:

- A & S Concrete Recycling Inc. – Screened and crushed rock
- Asset Consulting Group, LLC – Employee retirement plan investment consultant
- Hiland Dairy Foods Company LLC – Dairy products for the Douglas County Health Center and Douglas County Youth Center
- MBC Construction LLC – Ida St. Improvements, Dam Site 15A (grading, paving, & box culvert construction)
- McKesson Medical-Surgical Minnesota Supply, Inc. – Tena disposable incontinence products
- Physicians Laboratory Services – Autopsies and other laboratory testing
- Rife Construction, Inc. – 1215 Building HVAC and lighting upgrade
- SupplyWorks – Cleaning supplies, equipment, and custodial related services
- System Innovators – System maintenance for the iNovah cashiering system
- Tronex, International, Inc. – Powder-free nitrile gloves
- US Foods, Inc. – Non-inventory food items for the Douglas County Health Center kitchen
- Vigilnet, Inc. – Electronic monitoring of youth and adult detainees under court supervision

### **Methodology**

The information used by Internal Audit was obtained through analysis of transactions recorded in Oracle, interviews of County staff, examination of agreements and observations of systems and projects in progress. From the twelve vendors above, seventy-nine transactions were examined to see if payment and verification of goods and services were in compliance with contract terms.

### **Findings**

There were no reportable Issues.

## **Audit Standards**

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

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Internal Audit appreciates the excellent cooperation provided by the various departmental directors, managers, and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki  
Internal Audit Director

cc: Mark Rhine  
Lenny Swanger  
Inna Goldman  
Patrick Bloomingdale  
Diane Carlson  
Joe Lorenz  
Dan Esch  
Sheri Larsen  
Jodi Campbell  
Amy Shreck  
Colby Jensen