

EMERGENCY PURCHASING AUDIT

PROGRAM EVALUATION AND AUDIT

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METROPOLITAN
COUNCIL

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INTRODUCTION

Background

On March 13, 2020, the president declared a national emergency in response to the novel coronavirus (COVID-19) pandemic. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed, allocating dollars to states, governments, small businesses, and individuals. As a Federal Transit Administration (FTA) recipient, the Metropolitan Council was eligible to receive CARES Act funding and received \$226 million from the FTA through the Section 5307 Urbanized Area formula.¹ In order to receive reimbursement, purchases must be compliant with federal rules and expended in response to the emergency. Funds can be used to cover some operating expenses as well.

The Council has three forms of purchasing: purchasing cards (P-Cards), purchasing orders (POs), and contracts. P-Cards are used for micro purchases (<\$5,000), POs for large quantities of items, and contracts for services. P-Cards were previously reviewed in 2019 (2020-02), while contracts are reviewed on an as-needed basis. In order to be reimbursed by the federal government, all forms of purchasing must meet regulations and be classified using the COVID-19 response project code.

Objective

The objective of the audit was to assess purchasers' compliance with the federal allowability rules and Metropolitan Council internal policies to ensure that emergency-related expenses can be reimbursed through the CARES Act.

This audit considered the Council's *Thrive MSP2040* Outcomes and Principles, including *Thrive's accountability* principle *stewardship* outcome. This audit practiced *accountability* by ensuring that emergency purchases were made in accordance with federal rules and *stewardship* as the Council has a duty to spend its emergency resources appropriately.

Scope

Any purchases charged to the COVID-19 response project code beginning January 20, 2020 or otherwise made for responding to COVID-19 were eligible for review. This includes 279 P-Card transactions for the period January 20, 2020 to May 15, 2020 and 113 POs, and contracts made during the emergency declaration.

Methodology

To address the audit objectives, interviews were conducted with Procurement staff, and 15 purchase orders and 100 P-card transactions were reviewed. Council policies and procedures were reviewed to understand the P-Card program and Purchase Orders, including the Purchasing Card Manual and the Council's Procurement procedure. The CARES Act was also reviewed to understand the criteria required for federal reimbursement.

¹ Federal Transit Agency. United States Department of Transportation. (April 9, 2020). Web. <https://www.transit.dot.gov/funding/apportionments/table-2-fy-2020-cares-act-section-5307-urbanized-area-apportionments>.

FINDINGS

The results of our review of purchases made during the COVID-19 response are presented below.

Purchase incorrectly identified as being made for COVID-19

During the review, one of the fifteen randomly sampled Purchase Orders (POs) with the COVID account string was found to not be related to the COVID-19 emergency. The purchaser stated it was not for COVID-19 but was charged to the COVID-19 project code. Business unit staff are responsible for assigning the correct account string to their purchases. Incorrectly identifying purchases as being for COVID-19 could lead to requesting reimbursement for purchases that are not eligible for CARES Act funding (or other federal funding) or providing an inaccurate accounting of how much the Council spent on responding to COVID-19.

Recommendation:

1. **(Essential)** The purchase found not to be for COVID-19 should be recoded to the proper account string.

Management Response: The Project Manager is responsible for identification of account codes for each procurement at the time of initiation. Procurement does not validate account codes as a part of their procedure. Procurement relies on the business unit and their associated finance departments to ensure correct account codes are entered. This PO was already paid; however, Procurement contacted the Project Manager and updated the PO to reflect the correct account code. Procurement also notified Accounts Payable for accurate COVID-19 reporting.

Staff Responsible: Project Management, Procurement and Accounts Payable.

Thrive 2040 Principle: Stewardship

Purchases lacked specification

During the review, one of the sampled fifteen purchase orders did not have supporting documentation that properly specifies what goods or services are being requested (items, quantities, etc.). METC 3-4-3a 1.5.2.1 which states that “[A] complete and adequate specification or purchase description can be prepared” for each purchase. While the procedure does not define “complete and adequate,” the purchase order should clearly state what is being provided, the quantity needed, and the price per unit. The Procurement Procedure was not followed due to the urgency to respond to the novel coronavirus. Failure to comply with Procurement procedures can result in expenses that are not reimbursable. This may lead to the Council having to deal with the costs associated with non-reimbursable or unallowable purchases.

Recommendation:

2. **(Essential)** Locate supporting documentation that specifies item being purchased and include in the procurement file.

Management Response: With future procurement initiation requests, Procurement will require the Project Manager to provide a detailed specification and/or description of the goods and services to be procured. The Project Manager and Purchasing Agent had discussed this work but did not update the PO. This PO was urgent to purchase which were supplies and services needed to protect the health and welfare of the general public due to the COVID-19 pandemic,

this language is taken directly from the emergency declaration and was approved by the Council.

Staff Responsible: Project Manager and Procurement.

Thrive 2040 Principle: Stewardship

Purchasing card transactions

A sample of p-card transactions, identified as being COVID related, were reviewed to ensure p-card rules were followed. Of the 100 sampled transactions, or 36% we reviewed for the period January 20, 2020 to May 14, 2020 we did not identify any issues that hadn't already been identified by the p-card team.

CONCLUSIONS

While some federal requirements are waived under an emergency declaration, the Council is committed to managing its resources effectively. Emergency purchasing at the Council has several controls and documented processes to minimize exposure to fraudulent activities and maximize the potential to meet the requirements for federal reimbursement. While there were some exceptions, the system of controls was generally effective and compliant.

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