



Purchasing, Finance, and RPM Fully Resolved All Findings from the Original Fiscal Directive 6 Audit

Audit Department
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Background

In April 2023, we audited purchasing and contracting activities of Clark County departments to determine compliance with Fiscal Directive 6. We identified the following six findings:

- Some non-purchase order payments did not comply Fiscal Directive 6 (High Risk)
- Procedures governing purchasing and contracting activities were not formally documented (High Risk)
- Purchasing policies and procedures were not being followed. (High Risk)

Background *(Continued)*

- Contract changes and ratifications procedures were not documented/approved properly (High Risk)
- Real Property Management's contract change directive allowed work to commence on changes prior to obtaining Board approval (High Risk)
- Periodic vendor account reviews in SAP were not performed (Medium Risk)

Objectives

We conducted this audit to determine whether corresponding departments (Purchasing, Finance, Real Property Management) implemented corrective actions to resolve the original audit findings.

Conclusion

All six findings from the original audit have been fully resolved. Some of the implemented corrective action includes:

- Finance updated the exceptions listing in the most recent issuance of Fiscal Directive 6
- Finance implemented a quarterly review of non-purchase order payments

Conclusion *(Continued)*

- Purchasing and Contracts Division has adopted or updated written policies including 'After-the-Fact' purchase orders, contract changes, and contract ratifications.
- Purchasing and Contracts Division is documenting 'After-the-Fact' purchase orders and contract ratifications on a quarterly basis.
- RPM has updated their contract work change policies and procedures to ensure changes receive the appropriate Fiscal Directive 6 approvals prior to commencing work

Conclusion *(Continued)*

- Finance has implemented a twice-year review of the SAP vendor listing; disabling duplicate and inactive vendors.
- Finance has implemented a process to ensure that 1099 reporting includes vendors with multiple entries (due to payment addressing) whose individual payments do not exceed thresholds but collectively require reporting.

Corrective Action Status

Original Audit Finding	Status
Non-PO payments made included payments in exception to FD 6 policy. (High Risk) In the original audit, testing of non-PO payments found exceptions to FD 6; including spending that exceeded authorized amount of existing PO and vendor work without a PO.	Fully Resolved. Non-PO payments present a unique risk to FD6 compliance as Purchasing is not able to review these payments. Finance has implemented a quarterly review of non-PO payment reports. Finance has updated their compliance training for all new department directors. Finance will continue to communicate with departments directly to address FD6 non-compliance. We reviewed 100 vendors with non-PO payments and found no exceptions.

Corrective Action Status

Original Audit Finding	Status
Procedures governing Purchasing and Contracting Activities Should be Documented. (High Risk) In the original audit, we found procedures that were not formally documented; including: • Procedures for 'after-the-fact' POs; • Monitoring non-PO payments for compliance with FD6 • Approving contract ratifications and amendments. • Identifying and reporting non-compliance with FD6.	Fully Resolved. Purchasing has implemented/updated policies for 'after-the-fact' purchase orders; contract changes; and contract ratifications. Purchasing has also implemented quarterly reporting of all 'after-the-fact' POs, contract changes and contract ratifications.

Corrective Action Status

Original Audit Finding	Status
Purchasing policies and procedures are not being followed. (High Risk) In the original audit, we found exceptions to FD6 policy for PO purchases; including: • POs missing quotes • No documentation of quotes from disadvantaged businesses • Quotes not signed by vendor	Fully Resolved. Purchasing has updated/adopted policies for 'after-the-fact' purchase orders; contract changes; and contract amendments. Purchasing has updated training materials for all departments regarding Fiscal Directive 6 compliance. Purchasing has all policies/training materials posted to their intranet site accessible to all departments. We tested 5 'after-the-fact' purchase orders and 10 purchase orders and found exceptions.

Corrective Action Status

Original Audit Finding	Status
Controls to minimize contract changes without formal approval need to be updated. (High Risk) In the original audit, we found exceptions to FD6 policy for contract changes; including: • Changes without documenting reason for change • Vendors provided services prior to change approval	Fully Resolved. Purchasing updated/adopted written policies to address contract changes and ratifications. Additionally, purchasing is now documenting all contract ratifications on a quarterly basis. We tested 15 contract changes and found no exceptions.

Corrective Action Status

Original Audit Finding	Status
Real Property Management Construction Change Directive Authorizes Work Prior to Board Approval. (High Risk) In the original audit, we found exceptions to FD6 policy for construction contract changes. Specifically, RPM allowed architect's/engineers to implement changes to construction work and initiate the work prior to seeking approval for the change or notifying Purchasing of the change.	Fully Resolved. RPM updated their construction change policy to include documented reviews to determine Purchasing approval requirements and funding prior to initiating changes to construction projects. This policy requires Purchasing be notified before change work is initiated and approvals are sought if required. We reviewed the only Construction Change Directive change order during the audit period and found no exceptions.

Corrective Action Status

Original Audit Finding	Status
Limited Resources Prevent Vendor Account Review in SAP. (Medium Risk) In the original audit, we found Finance had not reviewed the vendor file in SAP to identify inactive and duplicate vendor files. Additionally, Finance did not review vendor payments to determine if IRS 1099 reportable thresholds were exceeded by vendors with multiple accounts.	Fully Resolved. Finance initiated a semi-annual review of the SAP vendor file; setting duplicate vendor files to inactive and disabling vendor files that have not had activity for two years. Finance also performs the 1099 reporting for all vendors; and then runs an additional review to find 'duplicate' vendors whose combined spending exceeds the reporting threshold. (Duplicate in this case means vendors with multiple billing addresses.)



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