

Highlights

Internal Audit Report to the
Board of Supervisors

Why We Did This Review

The County expended a significant amount (\$21.2 million) for software purchases and system development using the Arizona State Contract, Software Value Added Reseller (ASAP), from January 2005 through July 2008.

What We Recommend

Materials Management should:

- Periodically validate ASAP charges (to ensure billing accuracy) and request reimbursement for overcharges.
- Request that ASAP reimburse the County for erroneous tax charges and not assess taxes on nontaxable items.
- Request that ASAP ensure software purchases are approved by County officials, and shipped and invoiced only to County locations.

The Department of Finance should:

- Ensure that training/guidance regarding software-related service tax exemptions is available to County employees involved with processing invoices and payments.



For more information, please contact Eve Murillo,
Deputy County Auditor, at 602-506-7245 or
EMurillo@mail.maricopa.gov

Countywide Software Purchasing Contract

More effective monitoring of the software purchasing contract is needed

Our Objectives Were To Verify That:

- **Pricing** complied with contract terms
- **Sales Tax** was appropriately applied
- **Deliveries** were restricted to official County locations

What We Found

Pricing Issue – \$49,000 in overpayments

We reviewed pricing on \$12 million ASAP contract expenditures from July 2006 through February 2008. We found that most charges were priced in accordance with the contract; however, we identified \$49,375 in potential overpayments.

Tax Issue – \$47,000 to \$57,000 in overpayments

We reviewed \$1,620,946 in software-related services purchased from FY 2007 through FY 2009 and found that the County paid \$47,488 in taxes for tax-exempt services. An additional \$10,107 in tax charges lacked sufficient supporting documentation to indicate taxable status. According to an Arizona Transaction Privilege Tax Ruling, the sale of software-related services (such as customization, installation, or a warranty or service agreement) is exempt from sales tax.

Delivery Issue – \$2,600 unauthorized shipment

We reviewed 2,652 delivery addresses and found that one item was sold to the County but shipped to a home address. Further research revealed the sale (\$2,622 pre-tax) was made to a non-employee subcontractor. Although the purchase was paid by that party, it was an unauthorized use of the County contract by a non-employee.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciated the excellent cooperation received from agency leadership and staff while conducting this audit. Management concurred with all findings and we will follow up on the action plans they provided.