

SMALL PURCHASING

PROGRAM EVALUATION AND AUDIT



METROPOLITAN
C O U N C I L

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Highlights

The Metropolitan Council Should Restrict Annual Purchase Orders and Strengthen Controls for Purchase Approval

What We Found

What's Working Well

The Met Council performs two- and three-way matching before payment. The process to prevent split purchases works when it is used. Additionally, all user roles in PeopleSoft, WAM, and TXbase were appropriate for employees' business needs.

What Needs Improvement

Audit could not complete testing on change orders applied to purchase orders because they are not tracked in either WAM or TXbase. The Met Council also spent \$441,830.14 on seven preventable "After the Fact" purchases. Finally, the Met Council is over-using annual ("blanket") purchase orders, forgoing the competitive procurement process and potentially missing out on the benefits of using contracts.



Photo Caption: Bus and light rail wraps, signage, and snow removal at bus and light rail stops are examples of past small purchases.

What We Recommend

The Met Council can take the following steps:

- Improve tracking for purchase order change orders.
- Restrict the use of annual purchase orders.
- Monitor and respond to After the Fact requests.
- Ensure proper signature authority for sole sources.

Why We Did This Work

Small purchases (valued from \$10,001 up to \$175,000) are made using purchase orders instead of contracts. Purchase orders do not receive the same level of review or contain the same terms of agreement that contracts do. Audit decided to review small purchases because previous audits of contracts have excluded purchases made solely using purchase orders. Small purchases represented 10% of all Met Council purchases in 2024.

What We Reviewed

Audit reviewed purchase orders that were used to make small purchases for goods or general services in 2024. This includes all associated documents such as invoices or quotes, and the systems involved in documenting and processing purchases.

How We Did This Work

Most testing involved sampling from a list of purchase orders. We reviewed samples for two and three-way matches, split purchases, and quotes. Other tests included reviewing procurement forms as well as system controls such as determining who has access and whether items can be edited.

In addition to document review, Audit interviewed staff at different points in the process, including Procurement, Accounts Payable, a requestor, business system analysts and Materials Management.

Summary of Findings

Number	Description	Recommendation	Follow-up Action	Page
Observation 1	Audit Could Not Obtain an Accurate List of Purchase Orders with Change Orders from WAM or TXbase	Procurement should work with TXbase and WAM system to create a process that tracks purchase orders that have had change orders applied to them.	Confirmation	5
Observation 2	Annual Purchase Orders Did Not Follow Proper Procurement Procedures	Procurement should restrict the use of annual purchase orders and ensure that any future annual purchase orders are treated the same way as other purchase orders of the same dollar value.	Retest	6
		Engineering and Facilities should review their historic list of annual purchase orders to determine which can be combined and converted to other procurement types, such as contracts.	Retest	6
Observation 3	The Met Council's Monitoring, Processing, and Planning of Procurements Can Be Improved	Procurement should establish a process for monitoring the department and division making After the Fact requests and the root cause of the After the Fact Forms.	Confirmation	9
		Procurement should establish criteria for how they will respond to After-the Fact requests.	Retest	9

Number	Description	Recommendation	Follow-up Action	Page
Observation 4	Processes for Sole Source Justifications Can Be Improved	Procurement should revise their policies, procedures, and other forms to include specific references to the federal laws and regulations that apply to a given section, and to have a process for monitoring changes in federal laws and regulations.	Confirmation	11
		Procurement should update its process for how to document sole source justifications, including steps to show that no biased considerations or undue influence occurred in the approval process.	Confirmation	11
Observation 5	Controls for Signing Sole Source Authorization and After the Fact Forms Needs Improvement	Procurement should clarify how the specific requestors, managers, and signature authorities should be selected for a sole source or After the Fact request.	Confirmation	13
		Procurement should amend the process to ensure that the proper requestor, manager, and signature authority each review and approve a sole source or After the Fact request.	Retest	13

Introduction

Background

Met Council employees regularly procure goods (such as equipment, supplies, or materials) and services (such as manufacturing, construction, and non-technical) for Met Council projects and daily operations. Met Council policy states that procurements must be made economically, equitably, and in full compliance with state and federal law. To meet Met Council policy and applicable laws, procurements are categorized based on how much they cost: “micro purchases” are less than \$10,000,¹ “small purchases” are under \$175,000 but larger than a micro purchase, and “large purchases” are over \$175,000 (see Table One). Although they are called “small” for purposes of an organization’s overall spending, these dollar values are meaningful to residents of the region. Household median income in the Metro Region was about \$95,000 in 2022.² Small purchases are also meaningful in aggregate. There were approximately 1,600 purchases within scope for this audit, totaling \$71.9 million with an average value of \$44,150.

Minnesota Uniform Municipal Contracting Law requires public solicitation of sealed bids for purchases above \$175,000.³ Purchases between \$25,001 and \$175,000 require at least two bidders and allow for direct negotiation as another option along with sealed bids. Met Council Procurement Policy FM 14-1 and Met Council Procurement Procedure FM 14-1a list additional requirements such as price quotations, sealed bids, and requests for proposals. The Met Council also extends the dollar range for most small purchases to require quotes starting at \$10,001. The Procurement Procedure requires that procurements are made economically and efficiently, and that they are awarded to the bid, quote, or proposal by the responsive and responsible vendor with the lowest price.

Table One: Procurement Methods by Procurement Amount

Procurement Method	All Funding Types	MCUB	Requirements
Micro purchases	<\$10,000	<\$25,000	No competitive quotations or proposals needed
Small purchases	\$10,001-\$175,000	\$25,001-\$175,000	Must obtain quotes, bids, or proposals
Large purchases	>\$175,000	>\$175,000	Must publicly solicit bids or proposals

For procurement of goods and most general services that qualify as small purchases, Met Council procedures require at least three price quotes from qualified vendors. In limited

¹ Or \$25,000 for Metropolitan Council Underutilized Businesses (MCUBs). Whenever this report mentions the “small purchase” or “micro purchase” threshold, it includes the higher MCUB value.

² O’Neill, Timothy. 2024. “Twin Cities Metro Area Economic Development Region 11 2024 Regional Profile.” Edited by Minnesota Department of Employment and Economic Development. *Regional Labor Markets*. St. Paul, MN: Minnesota Department of Employment and Economic Development. <https://mn.gov/deed/data/regional-lmi/metro-lmi.jsp>.

³ *Minnesota Uniform Municipal Contracting Law*. 2023. Vol. 471.345. <https://www.revisor.mn.gov/statutes/cite/471.345>.

circumstances, staff may procure from a “sole source” instead of receiving at least three price quotes. Staff may also use a Cooperative Purchasing Venture (CPV) which will have varied rules on vendor selection. Met Council staff (called “requestors”) initiate purchases. Requestors must identify what is being purchased, the funding source(s) for the purchase, and get a signature from the appropriate authority. Procurement assigns a staff member to work through the procurement process with each requestor. Procurement staff analyze requests to ensure purchases are necessary, appropriate, and unique.

Recent Audit work related to procurements includes Contract Administration (2023), Audio Visual Contract Review (2024), and the Metropolitan Council Underutilized Business (MCUB) program (2024). Most of the procurements reviewed in these audits were either “micro purchases” or “large purchases.” To follow up on these and other audit work, this audit focused on “small purchases,” to fill in a gap that the other projects did not cover. In October 2025, the Met Council approved changes to the Procurement Policy’s purchasing thresholds in alignment with new legislation. Under these changes, micro purchases will remain at \$10,000 for Federal Transportation Administration (FTA) funded purchases, increase to \$25,000 for locally funded projects, and increase to \$100,000 for locally funded MCUB purchases. In the future, there may be similar increases to small purchase thresholds. The results of this audit will help inform ways to continue managing small purchases at higher dollar values.

Objectives

- Ensure that system controls support the procurement and payment functions in PeopleSoft, TXbase, and WAM.
- Ensure that all requested projects and project amendments adhere to an appropriate procurement process according to federal requirements, state statute, and Met Council policy and procedure.
- Confirm that the Met Council receives, documents, and pays for all purchases according to state statutes and Met Council policy and procedure.

This audit considered the Met Council’s Imagine 2050 “Regional Core Values” of “Accountability” and “Stewardship”⁴ by ensuring the Met Council is maximizing the effectiveness and efficiency of its business partnerships and resource allocations. Regarding the Core Value of “Equity,” Audit considered the impact of the Small Purchasing audit on Council employees, members of the public, and Council vendors.

Scope

This audit reviewed purchases between \$10,001 and \$175,000 initiated in 2024. Audit reviewed associated documents such as quotes and purchase orders (POs), as well as the systems involved in documenting and processing purchases.

Methodology

To ensure that system controls are adequate, Audit reviewed user access for key positions related to the process. To address the second and third objectives, Audit obtained a list of all POs from 2024 and used this population to take samples of POs to test. Using these samples, Audit verified that all purchases received two- or three-way matching between the invoice,

⁴ “Imagine 2050 - Metropolitan Council.” 2025. Metropolitan Council. 2025. <https://metro council.org/2050-Planning.aspx>.

receipt of goods, and PO; reviewed the number of quotes gathered for purchases and how quotes were documented; and identified purchases that may have been split to stay under the small purchases threshold. Audit also examined the process for sole source purchases and After the Fact forms, and reviewed field controls for two forms used to request noncompetitive purchases.

Limitations

Auditors could not independently retrieve the universe of POs from Metro Transit or Environmental Services, instead relying on reports from the system administrators for TXbase and WAM. Audit could not locate records of receipt of purchases, which resulted in a Non-Finding Observation and a recommendation for future inventory audits to consider including this topic. Additionally, Audit could not complete testing of change orders applied to small purchase POs, detailed further in the first observation.

Recognition

Audit thanks Procurement, Accounts Payable, Metro Transit Engineering and Facilities, and Business Systems Analysts at both Metro Transit and Environmental Services for their support and cooperation throughout this audit. Procurement acted with Engineering and Facilities to address concerns about annual POs as Audit worked on this project. Audit also thanks Materials Management staff for providing an onsite walk-through of how goods are received by the Met Council.

Non-Finding Observation

Audit Could Not Locate Records of Receipt in TXbase or WAM

Audit could not locate records of receipt (such as packing slips) for goods or services sampled and could not independently verify that goods or services purchased had been received.

In WAM, all payments must go through a three-way match process before payment. Audit confirmed with Accounts Payable that the three-way match process is marked in WAM, but that records of receipt are not generally stored in WAM after the goods/services are marked as received.

In TXbase, the system requires three-way matching for I-type (inventory) invoices and M-type (miscellaneous) invoices. V-type (misc. vendor charges) only require two-way match because they are invoices for services. This test only had M-type and V-type invoices because stockroom inventory purchases were scoped out of the audit. Audit could not locate records of receipt of the M-type invoices in TXbase.

There is no Council-wide policy or procedure that requires records of receipt to be kept. Additionally, the Metro Transit (MT) Finance retention schedule requires that receiving records be kept only until the shipment is reviewed and sent to Accounts Payable. Environmental Services (ES) and Finance do not address records of receipt (specifically for packing slips, etc.) in either retention schedule.

Observations

Audit Could Not Obtain an Accurate List of Purchase Orders with Change Orders

Audit could not complete testing to verify that change orders issued to POs had appropriate signature authority. This means that Audit cannot determine if a PO's value was increased or if it received the proper level of review.

Both purchasing systems, TXbase and WAM, contain "false positives" of change orders due to not being able to differentiate between simple or formal edits. When business systems analysts attempted to obtain the data, they could not differentiate between POs that had simple edits (such as changes to name fields, and shipping addresses) and POs that had formal change orders or amendments (such as increasing the dollar value). This means that some POs appeared to have change orders when they did not. This made it extremely difficult to identify POs that have amendments or change orders.

The Met Council's Procurement Procedure FM 14-1a states:

"Change orders issued against purchase orders with a cumulative value at less than 10% of the original value of the purchase order are considered to be minor adjustments to the original purchases... Change orders with a cumulative value greater than 10% of the original value of the purchase order are considered to be a separate purchase and must follow procurement procedures."

The United States Government Accountability Office Green Book states:

Principle 3.09: "Management develops and maintains documentation of its internal control system."

Principle 3.10: Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors."

While neither system could produce an accurate list, the reasons for this in each system are different. All change orders made to MT POs are processed via email with Procurement, without involving TXbase to process or track them. The purchasing manager reported that change orders occur so infrequently that it would not be possible to obtain email records of change order requests. When MT business analysts attempted to run a query to obtain a population of POs with change orders, a list of POs that had been edited for any reason, including simple edits, was obtained instead. Similarly, while WAM can process change orders, there is no query to obtain an accurate list of POs that have change orders. According to the business system analysts, this is for two reasons. Sometimes, users requesting a change order in WAM use old POs as a template, which makes it appear that POs have been edited when they have not. Additionally, business systems analysts do not have a way to connect change order requests in WAM with their respective PO numbers. When a change order is approved and merged with the PO in the system, it "sheds" its change order number.

Recommendation:

1. Procurement should create a process that tracks purchase orders that have had change orders applied to them.

Management Response: The current ERP systems of WAM and TX Base are at their end of life and are minimally supported at the Council. Procurement is actively working with the IS department to procure and implement a new Procure to Pay computer system to manage purchase orders. There is a requirement for systematic process, approval, and tracking of purchase order changes to be within the new system.

Timetable: The Timetable is currently dependent on the IS team agreeing, purchasing, and implementing a new ERP computer system for the Procurement Department.

Staff Responsible: New ERP Director and Procurement ERP implementation team.

Audit Follow-Up: Confirmation.

Annual Purchase Orders Did Not Follow Proper Procurement Procedures

Procurement Procedure FM 14-1a states that “Procurements may not be split or artificially divided in order to reduce their value” to fall under the rules of a smaller purchase, such as competitive processes or signature authority. Further, “[p]rocurement value is not the cumulative amount paid to a specific vendor during a year. Multiple purchases from the same vendor are considered separate procurements *as long as they arise from independent needs and have not been split* or artificially divided for the purpose of reducing their value.” Audit reviewed ten “combinations” of POs each in both TXbase and WAM where the same department made multiple purchases with the same vendor in 2024 to determine if the purchases appeared to be an attempt at “splitting” and circumventing Procurement processes for larger purchases.

Every sampled combination in TXbase included at least one “Annual PO,” while only one WAM combination referenced a “Blanket PO.” Five of the ten TXbase PO combinations exceeded the small purchases limit of \$175,000, and five PO combinations had identical or nearly identical descriptions. Some tested combinations exceeded \$300,000. Under pending Procurement threshold increases, three combinations remain over the new small purchase limit. Audit also checked the number of quotes requested for eight POs in TXbase and ten in WAM. Both systems had two POs with missing quotes. In WAM, missing quotes were requested but poorly documented (for instance, the purchasing agent did not save evidence that they contacted a non-responsive vendor). The missing quotes in TXbase were for annual POs and staff did not request any quotes because the annual PO was treated as a shell of money rather than as a purchase.

Annual POs act as a collection of micro purchases made with the same vendor and were originally intended for use in emergency or one-off situations. If a purchase that could fall under an annual PO exceeds \$10,000, it should be made as a separate small purchase. According to the Purchasing Manager, annual POs were not reviewed for potential split purchases because they were treated as collections of micro purchases instead of as small purchases. Given that the only PO combinations with exceptions related to potential purchase splitting included an annual PO, this control appears to work when implemented.

One of the reasons someone might intentionally split a purchase is to avoid competitive requirements. Under Minnesota’s Uniform Municipal Contracting Law, purchases between \$25,000 and \$175,000 require at least two quotes from vendors, while those over \$175,000 require a more formal bidding process.⁵ The Met Council requires at least three quotes for small purchases, while micro purchases can use “good business judgment” to select a vendor.

Table Two: Summary of TXbase Split Purchase Testing, Combinations With the Same Vendor

Type of Service	# POs	# Annual POs	Total \$ Value	Notes
Painting	3	2	\$321,442.00	Same description for both annual POs, only one used.
Exterior Remodeling	2	2	\$250,000.00	Same description, different account strings.
Restroom Facilities	3	2	\$320,000.00	Description varies by facility type only.
Printing	3	3	\$100,000.00	Description varies by product type only.
Elevator Monitoring	2	2	\$42,000.00	Description varies by facility type only.
Building Construction	3	1	\$325,523.50	POs are for distinct projects.
Police Equipment	2	1	\$238,424.02	POs are for distinct projects.
Flooring	2	1	\$114,355.00	POs are for distinct projects.
Garage Doors	2	1	\$86,080.00	POs are for distinct projects.
Train Wash Racks	2	1	\$65,711.71	POs are for distinct projects.

As Procurement staff noted during testing, annual POs were often not competitive purchases, falling below the number of quotes needed and allowing multiple purchases with the same vendor in dollar amounts more suited to contracts. In addition to compliance with purchasing guidelines, competitive purchases can offer better value by comparing the cost from multiple different vendors. Without good documentation of how the Met Council selected a given vendor, other vendors or the general public may perceive that the selection was made arbitrarily. This reputational risk grows at larger dollar values but is still present at these dollar values.

Purchases were sometimes made on two separate POs because when the same service is for two different facilities it may have different account strings. An administrator who created many annual POs stated that they received informal, inaccurate training and mistakenly thought that a PO could only use a single account string. It is possible to use multiple account strings within a single PO in both TXbase and WAM, which the administrator is now aware of. Other staff within Engineering and Facilities expressed that they believed it was okay to use separate purchases for separate addresses. These factors contributed to at least four of the potential split purchases. It may have also contributed to other combinations that could have been made under a single contract but that are not split purchases because they went through different vendors, such as boiler services and Metro Transit Police Department (MTPD) uniforms.

⁵ *Minnesota Uniform Municipal Contracting Law*. 2023. Vol. 471.345.
<https://www.revisor.mn.gov/statutes/cite/471.345>.

A benefit of annual POs is that they can help meet after-hours or emergency needs. Some annual POs are for backup providers to support larger contracts if that vendor cannot complete all of the work, such as for snow removal. However, Engineering and Facilities management described a culture of responding to all problems as emergencies, even if they do not require immediate action. This attitude can lead to responsive purchasing rather than proactive, planned purchases. In other cases, requestors used multiple vendors for the same good or service to support MCUBs, or because some vendors may not be willing or able to provide the full level of service needed.

Although they can be faster to set up initially, the use of annual POs has some risks that are mitigated through execution of contracts or multiple individual POs as well. While POs have terms that apply, the contract negotiation process offers better awareness of terms and the chance to modify them as needed. This can protect the Council's interests, particularly when dealing with larger dollar values. There can be inefficiencies due to needing to track multiple POs and recreating them every year rather than combining purchases into a single multi-year contract. Audit also identified combinations with identical or near-identical descriptions and multiple vendors. If the four examples in Table Three were each consolidated into a three-year contract, the number of vendors to manage would decrease from 23 to 4 (83% reduction) and the number of agreements (POs or contracts) would decrease from 30 to 4 (87% reduction). Over a three-year span, this represents up to 86 excess POs to administer.⁶

Table Three: Annual PO Combinations from Multiple Vendors Over \$175,000

Purchase Description	# POs	# Vendors	Total \$
Snow Removal and Landscaping	9	7	\$513,570
Boiler Services	7	5	\$285,000
MTPD Uniforms	7	4	\$220,000
Gun Ranges	7	7	\$210,000
Total	30	23	

Recommendations:

1. Procurement should restrict the use of annual purchase orders and ensure that any future annual purchase orders are treated the same way as other purchase orders of the same dollar value.

Management Response: In 2025, Procurement implemented a new process to limit Annual and Blanket purchases to the micro purchase threshold. The procurements were designated for emergency or after-hours use only. Business units were instructed to conduct a solicitation, submit a sole source request, or utilize a Cooperative Procurement Venture (CPV) for purchases exceeding the micro purchase limit.

In 2026, Annual and Blanket orders at the micro purchase level will undergo further review to identify potential split purchases and assess whether a competitive justification is warranted, further limiting their use.

⁶ Assuming each of the 30 POs will be replaced with a three-year contract, current practice requires 90 POs to handle the work of as little as 4 contracts.

Timetable: January 2026.

Staff Responsible: Senior Purchasing Manager.

Audit Follow-Up: Retesting.

2. Engineering and Facilities should review their historic list of annual purchase orders to determine which can be combined and converted to other procurement types, such as contracts.

Management Response: Facilities Maintenance agrees with the observation regarding converting annual purchase orders into contracts and discontinuing their use as a method to secure contracted services. In 2025 we started transitioning away from annual purchase orders and have put small purchase orders into place for emergency work by select vendors.

Around August of each year the Facilities Administrator will poll each maintenance manager and supervisor to determine which contractors may be necessary in the coming year. Small purchase orders will be put in place to handle a specific problem that may occur that needs rectified. These purchase orders will not be used for routine, repetitive services.

Mid-year the Asst Contract Administrator will determine which work that will need on-going services for the coming year, and request contracts be initiated to handle those services. They will work with Procurement to determine the bid strategy, duration and appropriate cost of each contract.

By the start of 2026 Facilities Maintenance should be well positioned to comply with the audit observations.

Timetable: Q1 2026.

Staff Responsible: Engineering and Facilities Administrator and Assistant Contract Administrator.

Audit Follow-Up: Retesting.

The Met Council's Monitoring, Processing, and Planning of Procurements Can Be Improved

When the Met Council procures goods or services prior to requesting or establishing a PO, the requestor must complete an "After the Fact Form" (ATF). Purchases made after the receipt of goods or services can occur for multiple reasons – for example, a department could believe that a situation is an emergency which needs to be addressed immediately rather than waiting to go through the procurement process. In the ATF, the requestor details why the proper procurement process was not followed. Procurement then reviews the ATF and provides comments explaining their rationale for approving the ATF. Audit found 13 ATFs with dollar values within the small purchasing range that were approved in 2024. The total dollar value of all approved

small purchase ATFs in 2024 was \$626,697.44, and Audit found that seven ATFs totaling \$441,830.14 could have been prevented.

Of the 13 ATFs, Audit found that five ATFs were a result of poor communication and planning between departments. In some cases, the poor communication and planning were due to unclear responsibility for contract or PO renewal. For example, one ATF addressed seven months of invoices (totaling \$175,000) for copper circuits needed by ES. At the start of 2024, the contract expired, but the services remained in use by ES. The requestor had assumed RA Finance would continue paying the monthly invoices for the copper circuits, but RA Finance did not. The payment status of the monthly invoices was not noticed by the requestor until five months had passed, resulting in the need to complete an ATF once the requestor became aware of the unpaid invoices. In other cases, ATFs were due to delays in the Procurement process. One instance involved a department waiting for advice on software renewal until after the renewal date had passed.

Audit found that two other ATFs resulted from improper planning ahead of making the purchase. In one case, the requestor believed the purchase was covered by warranty, but it was not. In the other case, the requestor did not ask for a quote ahead of receiving the service, and the total cost ended up exceeding the micro purchasing blanket threshold of \$10,000.⁷ Further, in 2025, the use of ATFs has increased in departments such as Engineering and Facilities as they adjust to changes in annual PO guidance.

The Met Council has policies and procedures for ensuring that potential small purchases are reviewed and approved before being purchased. The Procurement Policy (FM 14-1) states that “a small purchase can only be made after obtaining an adequate number of quotations, bids, or proposals from qualified sources.” The Procurement Procedure (FM 14-1a) notes that “[s]ole source procurement must be used on an exception basis only... Employees must obtain approval for a sole source procurement prior to ordering the goods or services except in a declared public emergency.” An After the Fact is a sole source, because the purchase has been made without considering other vendors.

Council employees making After-the-Fact purchases reflect a financial risk to the Met Council. If employees are not tracking renewal dates for purchased services, following the proper procurement processes, or coordinating in advance of purchases with other departments, there is a higher risk that goods and services will not be obtained in an economical manner. The costs to the Met Council for After the Fact procurements could be reduced if it followed the proper procurement processes and received approval before being purchased.

Reputational, financial, and operational risks increase due to the situations that lead to After-the-Fact purchases. Reputational risks increase if the Met Council does not meet payment deadlines, as vendors may be less likely to contract with the Met Council. Additionally, according to Minnesota Statutes, section 471.425, interest is applied to the payment amount if the payment is not made within 35 days of receipt. Purchasing delays cause operational risks to increase if the Met Council experiences service interruptions. For example, signage might not

⁷ In the AFF, the requestor argued that the micro purchase blanket amount of \$10,000 should be increased.

be updated in time for service changes, or employees might go around the official procurement process to get the goods and services needed.

Recommendation:

1. Procurement should establish a process for monitoring the department and division making ATF requests and the root cause of the ATFs.

Management Response: Procurement reviews and approves all After the Fact requests prior to routing for final approval, informally monitoring for repeated requests from the same departments or divisions. When patterns were identified, informal training was recommended.

Going forward, Procurement will continue this review process but will also implement formal monitoring. If recurring issues are identified, the Procurement team will coordinate with the department director to provide mandatory formal training to the appropriate staff.

Timetable: October 2025.

Staff Responsible: Senior Purchasing Manager.

Audit Follow-Up: Confirmation.

2. Procurement should establish criteria for how they will respond to ATF requests.

Management Response: If there are 5 or more After the Fact requests from a specific department within a quarter, Procurement will contact the department director to host required formal training for the team.

Timetable: October 2025.

Staff Responsible: Senior Purchasing Manager.

Audit Follow-Up: Retest.

Processes for Sole Source Justifications Can Be Improved

In limited circumstances, the Met Council can procure goods and services through noncompetitive processes. One of these processes is the “sole source” procurement process. To initiate a sole source procurement, requestors at the Met Council complete a sole source authorization form. In each sole source authorization form, the requestor of a good or service must document why the procurement should use the sole source purchasing process. Requestors sometimes include documentation from the proposed vendor in which the vendor states that they are the only source that can provide the good or service. A team of Procurement staff and Met Council managers known as the “Sole Source Review Team” (SORT) review the sole source authorization form and the justification provided. After SORT reviews the SSAF, the Procurement Director conducts their review of the sole source authorization form and the justification provided. For the SORT and the Procurement Director’s review, both provide comments explaining their decision to approve or deny the request.

Audit found that 11 of the 22 sampled sole source authorization forms included letters from the vendor where they claimed they were the only source for the good or service. In these examples, Audit found no documentation in the sole source authorization forms of the research done by SORT to prove the sole source procurement process was justified. Audit also found two examples of approved sole source authorization forms using FTA funds that included justifications on the basis of original equipment manufacturer (OEM) status.

The Met Council has procedures in place to ensure proper justification of procurement methods. According to Procurement Procedure (FM 14-1a):

“Metropolitan Council staff will carry out all procurement responsibilities without undue influence from the internal customers, users of the goods and services procured, and external parties. Autonomy enables procurement personnel to give unbiased consideration to procurement principals and requirements, as well as to the budget, functional, and other requirements of the internal customers.”

Additionally, Procurement created a “Sole Source Process” document that includes a step where a team of Procurement specialists “document researched information on the sole source form.” FM 14-2 also outlines procurement processes related to federal funding, including that “[t]he FTA does not allow original equipment manufacturer status as justification for a sole source.”

A vendor stands to benefit financially by stating that they are the only one that can fulfill a particular need. Letters from a vendor can help explain their unique qualifications. However, without other independent methods for confirming that there are no other vendors that can meet the request of the Met Council, the sole source procurement justification relies on the opinion of a party motivated by financial gain. By accepting a letter from the vendor as sufficient proof of sole source justification, Procurement does not show undue influence and unbiased consideration for procurements.

Improper or insufficient justifications of sole source procurements pose financial, legal, and compliance risks to the Council. Financial risks stem from failing to use a competitive procedure to purchase goods or services at a lower price due to unjustified sole source purchasing. Legal and compliance risks stem from improperly using federal funds for sole source procurements that are not justified under federal laws and regulations. Violations of Federal Transit Administration (FTA) funding requirements could result in “penalties, sanctions (such as fines, suspension, or termination of contracts), or other disciplinary actions.”⁸ Insufficient processes for justifying sole source procurements impact the ability of the Procurement department to independently assess the merits of a sole source request. This leads to requestors increasing their use of sole source procurements, as they believe that sole source requests without merit will likely be approved. The financial, legal, and compliance risks previously noted would multiply. Procurement is in the process of revising its sole source authorization form. They plan to require more details from the requestor regarding the proposed purchase and the justification of the sole source request.

⁸ Federal Transit Administration. (2025, Jan. 17). *FTA C 4220.1G. [Third Party Contracting Guidance \(Circular 4220.1G\)](#)*

Recommendation:

1. Procurement should revise their policies, procedures, and other forms to include specific references to the federal laws and regulations that apply to a given section, and to have a process for monitoring changes in federal laws and regulations.

Management Response: Procurement policies and procedures will be reviewed to include federal statutes that apply to sole source justifications.

Timetable: January 2026.

Staff Responsible: Sole Source Review Team.

Audit Follow-Up: Confirmation.

2. Procurement should update its process for how to document sole source justifications, including steps to show that no biased considerations or undue influence occurred in the approval process.

Management Response: The Sole Source Review Team will update internal processes to document that additional research has been conducted to confirm that no other suppliers are available to provide the required goods or services. Additionally, to increase transparency and ensure fair opportunity, the SORT team will have the ability to publish a request on the “Doing Business with the Council” website to allow potential contractors, suppliers, and consultants the ability to perform the work.

Timetable: Fourth Quarter 2025.

Staff Responsible: Sole Source Review Team

Audit Follow-Up: Retest.

Controls for Signing Sole Source Authorization and After the Fact Forms Need Improvement

The Met Council has policies and procedures for ensuring procurements are reviewed and signed by proper authorities within the Met Council. The Procurement website on MetNet contains an active list of the Met Council personnel with signature authority and their corresponding signature authority dollar threshold – for example, as of July 2025 the Chief Audit Executive has a signature authority threshold of \$200,000. Authority can be delegated when needed. The Delegation of Procurement and Contract Authority Procedure (FM 14-2a) states that when Council employees are granted signature authority delegations, “the authorization shall state the position, the name, and the delegated authorization level (i.e., a specific dollar amount) for the person to whom signature authority is being delegated (the ‘delegate’)”. FM 14-2a also notes that “[t]he applicable procurement, grants, or real estate staff will route the request to approve the purchase of goods, services, income/grants, and real estate based on that authorization” and that signature authorities can “approve a requisition for purchase order when an appropriate review process is completed.”

For sole source procurements, the Met Council's Procurement Procedure (FM 14-1a) states that "[a]uthorization requirements of sole source procurements are based on the value of the procurement," "[e]mployees must use the most current version of the Sole Source Procurement Authorization form to document authorization," and "[t]he appropriate signature authority must approve sole sources before asking the associated committee and the Metropolitan Council to take action." Additionally, "[t]he Procurement department approves all sole sources prior to final signature authority authorization to ensure they fit the sole source criteria."

Audit sampled 22 sole source authorization forms to determine if the correct signature authority process was followed. Seven of the 22 (32%) had either an incorrect signature or unclear rationale for who signed off on the form. There is a manual process used by the Chief Procurement Officer to assign signature authority, and sometimes the wrong employee is assigned by mistake. For example, a bus operator with no record of holding signature authority signed a sole source authorization form for an ES purchase of \$75,000. For another form, the Procurement Director signed as the signature authority despite the name for the signature authority being listed as the Regional Administrator.⁹ In another instance, the signature authority was only allowed to approve purchases below the dollar amount listed on the sole source authorization form. The excess amount of sole source authorizations reviewed with improper signature authority was over \$100,000 across two purchases. The four purchases with unclear rationale included managers signing for people who were not their direct reports.

Procurement noted that they do not review if requestors have identified the proper manager on AFFs and sole source authorization forms. The access permissions on the sole source authorization form allow Procurement to enter an employee's name as the signature authority but approve the form themselves. There is no automatic process to assign and route the form to the proper signature authority, and there is no work instruction to guide the manual process for assigning signature authority. Due to this manual process, the Procurement Director can enter the wrong employee as the signature authority in the sole source authorization form.

Audit also reviewed 12 ATFs. The forms are designed to be routed from the requestor to the listed manager for approval before being routed to Procurement. When the approve button is selected on the form, the signature fields automatically capture the name of the Met Council employee that made the approval as well as the time of the approval.

The access controls on the form allow Met Council employees to act as both the requestor and the manager. Audit found that some fields on the sole source authorization form are locked from editing, while others were able to be edited after the form's submission. Audit also found that on the ATF and sole source authorization form, a Met Council employee can enter both the requestor and manager names for the ATF and sole source authorization form. During testing, one auditor was able to initiate the forms, then quickly edit the requestor field so it appeared a different auditor was the requestor and edit the manager field so that they received the approval email and could continue the approval process. The employee who was edited in as the requestor did not receive any email notification. Audit also found that the signature authority

⁹ Audit found no records that the Procurement Director was delegated this authority that day. However, the Procurement Director's signature authority exceeded the dollar amount in question.

field of the sole source authorization form could be edited before being sent to that employee, including listing employees with no signature authority.

Figure One shows the intended route, and Figure Two shows how a sole source can be approved based on the current access controls. A Met Council employee could work with another employee to be a false manager and send the form to SORT. The Procurement Director could then fill in the name of a Council employee as the signature authority and approve the form without getting the signature authority's approval.

Figure One: Appropriate Sole Source Approval Process

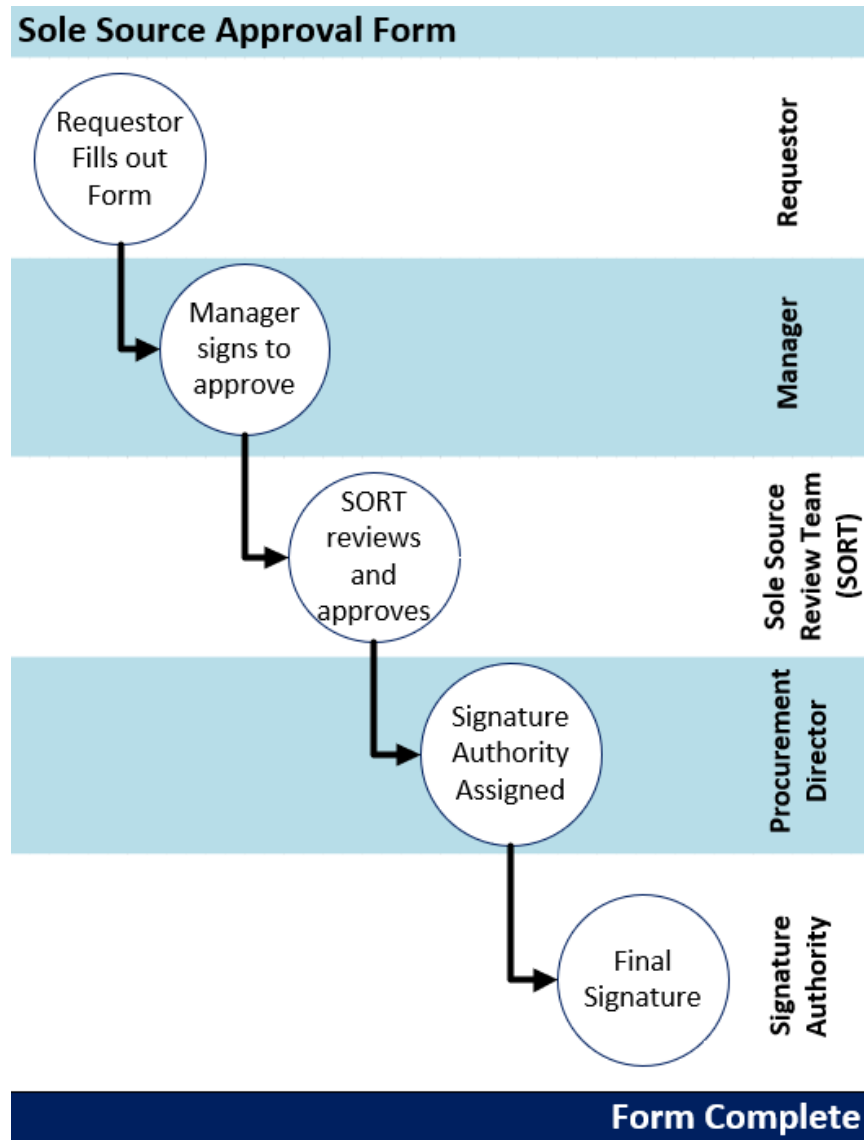
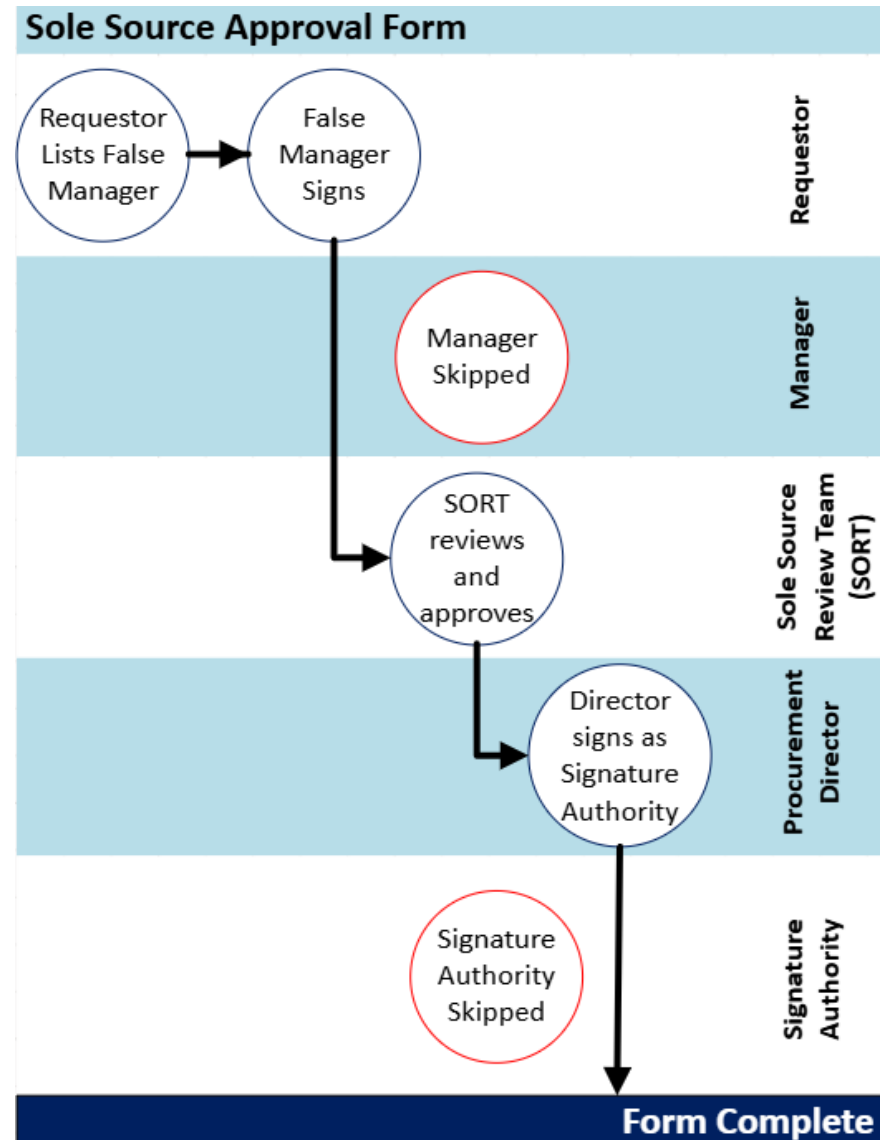


Figure Two: Inappropriate Sole Source Approval Process



The ability to edit the form allows employees to bypass their manager's approval, whether by editing the form quickly to list themselves as the manager or by listing someone other than their manager in the first place. The form also allows for Procurement to name a Council employee as the signature authority on an sole source authorization form but submit the form themselves. The manual process to assign signature authority within the forms increases the risk of the wrong employee signing.

Improper signature authority and review of sole source procurements poses financial, reputational, and compliance risks to the Council. Financial risk is increased when Council funds are being improperly used due to not following review processes, as one goal of competitive procurement is to obtain better prices. Reputational and compliance risk is increased if the Council makes sole source procurements without following review processes to ensure there are no other vendors that could provide the good or service. Additionally, although Audit was not able to review whether POs with change orders or amendments received proper signature authority review, it is likely that this finding would also apply to those purchases. As previously noted, Procurement is in the process of changing the ATF and sole source authorization form, and they will no longer be using the existing Forms.

Recommendations:

1. Procurement should clarify how the specific requestors, managers, and signature authorities should be selected for an ATF or SSAF.

Management Response: The After the Fact form is first approved by the requestor and the requestor's manager before arriving to Procurement. Once approved, the Senior Purchasing Manager will review the request and approve the form for routing. The final approval is the Chief Procurement Officer and the Council associate with the appropriate Signature Authority.

The Sole Source form is first approved by the requestor and the requestor's manager before arriving to Procurement. Once approved, the Sole Source Review Team will review the request, approve and route the form. The final approval is the Chief Procurement Officer, the Council associate with the appropriate Signature Authority, and if necessary, the Regional Administrator.

Timetable: Completed.

Staff Responsible: Senior Purchasing Manager.

Audit Follow-Up: Confirmation.

2. Procurement should amend the process to ensure that the proper requestor, manager, and signature authority each review and approve an ATF or SSAF.

Management Response: New forms were created in September with the new process.

Timetable: Completed.

Staff Responsible: Senior Purchasing Manager.

Audit Follow-Up: Retest.

Conclusions

When compared to major capital projects with multimillion or billion-dollar budgets, “small” purchases for goods and general services under \$175,000 can be easy to overlook. However, small purchases are used to keep the organization running and provide essential services to the public. It is important to handle small purchases properly because it builds a culture of doing things the right way all the time, not just on high-profile purchases or projects. Testing controls at this level helps reveal how controls work at all levels. They also add up to significant amounts when considered as a whole. In the future as thresholds for micro and small purchases increase, the risks associated with these purchases will also scale.

The Met Council, like other public agencies, must balance the challenge of maintaining public services while also being a responsible steward of public dollars that procures goods and services in a legal and efficient manner. Potential mismanagement of public dollars of any amount carries reputational and financial risk to the Council. To address these risks, the Council would benefit from system and control improvements alongside shifts in culture and strategy to prioritize proactive purchases rather than reactive ones.



November 13, 2025
Matthew J. LaTour, Chief Audit Executive
Program Evaluation & Audit

Appendix A

Program Evaluation and Audit recommendations are categorized according to how Audit will follow-up on them. The categories are:

- **Retest** — Audit will retest the area using the same or similar procedures after a recommendation has been implemented and sufficient time has passed for the changes to take effect. The retest will take place on a specified timetable. The recommendation will be closed once the change has occurred. A new audit project will be opened for retesting and any new findings will include new recommendations
- **Confirmation** — Audit will confirm that an adequate risk response has been completed on the agreed upon timeline. The recommendation will be closed once the change has taken place.
- **Assess Risk** — Audit will not plan for specific follow up to these recommendations. Audit will discuss the area as part of its annual risk assessment activities and consider future audit work in the area.

Distribution List

All audit reports are reported to the general public and are available on www.metrocouncil.org. This audit report was distributed to the following parties:

- Members of the Audit Committee
- Regional Administrator
- General Manager/Executive Division Director
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