



# County Contract Audit Axon Products and Services Maricopa County Internal Audit July 2020

## Why This Audit Is Important

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The Axon Products and Services Contract addresses the purchase and deployment of Tasers, body-worn cameras, and cloud-based video storage systems provided by Axon Enterprise, Inc. Maricopa County expenditures were nearly \$7.4 Million for the five-year period tested; over 97% of the expenditures were made by the Sheriff's Office. We performed this audit to ensure that the goods and services, including warranty and insurance coverages, were paid according to the terms and conditions of the contract.

## Key Findings

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- Goods and services were acquired according to the prices, terms, and conditions of the contract for all transactions tested.
- Additional controls are needed to help ensure that items ordered are properly received, inspected, and matched with records.
- Options should be researched for excess Taser inventory.
- The County needs a more effective process for ensuring vendors are providing current insurance certificates.

All key findings requiring corrective action were addressed through agreed-upon management action plans.

## What We Audited

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Below is a summary of work performed and findings. Corresponding recommendations and responses start on page 3. The responses were approved by Russ Skinner, Chief Deputy, on July 15, 2020, and Kevin Tyne, Chief Procurement Officer on May 22, 2020. More detailed observations and recommendations were communicated to management throughout the audit process.

### Contract Terms and Conditions

**Background** – The Axon Products and Services contract outlines terms and conditions including product and service pricing, invoicing, payment, and delivery.

**Observations** – We reviewed the contract, interviewed key employees, reviewed Sheriff's Office policies and procedures, and performed transaction testing over requisition, purchase order authorization, receiving, and invoice verification. We reviewed all transactions larger

than \$100, totaling nearly \$7.2 million. We found that the goods and services purchased were acquired according to the prices, terms, and conditions of the contract for all transactions tested.

***Axon goods and services were acquired according to the prices, terms, and conditions of the contract.***

We noted there were no written receiving reports or policies and procedures for receiving goods to help ensure that Tasers received are matched with original orders and meet quality standards (**Recommendation 1**).

### **Taser Surplus**

**Background** – MCSO made a bulk purchase of 700 model X2 Tasers in 2017 for assignment to officers. Each Taser included a four-year extended warranty.

**Observations** – We noted 400 of the acquired Tasers were not assigned. MCSO reported that 50 of the unassigned Tasers are used for training. The total value, including warranty cost, for the remaining 350 unused Tasers was approximately \$462,000 (**Recommendation 2**).

### **Insurance Certificates**

**Background** – The contract requires Axon to provide certificates of insurance prior to contract award; renewal certificates should be provided if a policy expires during the life of the contract.

**Observations** – We reviewed Axon insurance certificates to verify that coverages were in force according to the terms and conditions of the contract. We found discrepancies between the policies and the contract terms. We also found that Axon did not send renewal certificates to the County 15 days prior to policy expiration, as required by contract; however, certificates were provided upon inquiry during this audit.

***The County needs a more effective process for ensuring vendors are providing current insurance certificates.***

We determined that the Office of Procurement Services (OPS) needs a more effective process to ensure that Axon provides current insurance certificates in a timely fashion. Without evidence of complete and timely insurance coverage, the County could unknowingly be liable for actions of the vendor and/or improperly made goods (**Recommendation 3**).

### **Additional Information**

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This audit was approved by the County Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

## Recommendations and Responses

Recommendations for MCSO	Responses
<p><b>1</b> Prepare policies and procedures which address the receiving of goods and services.</p>	<p>Concur – in progress</p> <p>MCSO is currently reviewing its entire receiving process in an effort to reduce cycle time. A full documentation of the updated process will be prepared and added to [MCSO Policy] GE-1.</p> <p>Target Date: 12/31/2020</p>
<p><b>2</b> Research options for recovering all or part of the expenditures associated with the unused Tasers. Alternatives may include sale to other law enforcement organizations, and/or potential buyback programs through the vendor.</p>	<p>Concur – will implement with modifications</p> <p>Technology in this product has changed very quickly over the past couple of years, and recent upgrades rendered these tasers obsolete before MCSO needed to use them. It is doubtful that vendor buyback programs exist, or other agencies will be interested but those options will be explored. MCSO Training will evaluate the inventory to determine either a potential use or the proper method of disposal.</p> <p>Target Date: 12/31/2020</p>

Recommendation for OPS	Response
<p><b>3</b> Coordinate with Risk Management and the County Attorney (as needed) to develop policy and procedures for ensuring renewed insurance certificates are provided by vendors in accordance with contract requirements.</p>	<p>Concur – will implement with modifications</p> <p>OPS will work with Risk Management and the County Attorney to review current contract language and currently available technology systems to establish either additional language or a technology solution to ensure the County is protected from potential liability.</p> <p>Target Date: 6/30/2020</p>