



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

CELLULAR TELEPHONES FOLLOW-UP

REPORT # 235 (FOLLOW-UP TO REPORT #212)

AUGUST 9, 2012

August 9, 2012

The Honorable Ken Hagan, Chairman
The Honorable Kevin Beckner
The Honorable Victor Crist
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Sandra Murman
The Honorable Mark Sharpe

Dear Chairman Hagan and Commissioners:

We have performed a follow-up audit of the Cellular Telephone Audit Report #212, dated March 10, 2011. Fourteen original audit concerns were contained in this report (5 Findings and 9 Observations).

Based on our follow-up audit work and discussions with various departments, we are closing six of the original audit concerns (six Observations). Our follow-up audit indicated that these six original concerns have been addressed and corrective changes have been implemented, while five findings and three observations remain open. Also, one new Finding and one new Observation have been identified.

The report on the follow-up audit is enclosed. We appreciate the cooperation and professional courtesies extended to our auditors by the Director and personnel of the BOCC Departments during this audit.

Sincerely,

Daniel A. Pohto, CPA, CIA
Director, County Audit

cc: Mike Merrill, County Administrator
County Administrator's Senior Executive Team
Roger Dean, Director, Information & Technology Services Department
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

The primary objective of the original audit was to examine and evaluate the adequacy and effectiveness of the internal control and procedures over the issue and utilization of cellular telephones. As of June 2012, the County's cell phone inventory totaled 1,752 consisting of 273 AT&T Mobility, 1,369 Sprint/Nextel, 59 Verizon, and 51 T-Mobile. This is a decrease of 1,206 cell phones since the original audit was issued.

OBJECTIVE:

The objectives of this follow-up audit were to review and evaluate the conditions reported in County Audit Report # 212, dated March 10, 2011, to determine if corrective actions have occurred and are effective, and if the corrective actions appear to be continuous and/or correction will be monitored to ensure the control weaknesses will not be repeated.

SCOPE:

The follow-up was based on the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors. Our follow-up procedures were applied to the records, the documents, and the controls that were in effect during the period October 1, 2011, through February 29, 2012.

OVERALL EVALUATION:

We found that corrective actions had been fully implemented on six of the fourteen audit concerns noted in the original audit. As a result, we have closed six observations. For the remaining five findings and three open observations, County Administration has initiated corrective actions. However, the actions taken have either not been completed or not fully corrected the audit observations.

Please see the Summary of Original Audit Concerns on page 3.

We suggest that management monitor the open findings and observations listed in this report to assure that appropriate corrective action is taken. In addition, the corrective action for all concerns should be periodically assessed and adjusted, as necessary, so that the control weaknesses will not be repeated in the future.

The final exit conference was held on July 9, 2012.

AUDIT BY:

Dan Pohto, Director, County Audit
Steve Hooper, Audit Manager
Brenda Tyler, Auditor

STATUS CHART OF ORIGINAL AUDIT CONCERNS

This chart provides the status of the original report concerns at the completion of the follow-up audit.

For reference purposes, the entire original audit report #212 (issued Fiscal Year 2012, 03/10/2012) can be viewed on the Clerk’s web site at <http://www.hillsclerk.com> under Clerk Services, County Audit – Recent Reports.

FINDINGS	OPEN	CLOSED
1	X	
2	X	
3	X	
4	X	
5	X	
OBSERVATIONS	OPEN	CLOSED
1		X
2		X
3		X
4	X	
5	X	
6		X
7		X
8	X	
9		X

NOTE: An *Open finding* is defined as a control weakness that needs additional corrective action and a *Closed finding* is a control weakness for which corrective action has been completed to the auditor's satisfaction.

SUMMARY OF ORIGINAL AUDIT CONCERNS

This chart summarizes the original audit concerns at the completion of the follow-up audit. The original audit concerns that remained open are detailed in the next section – **FOLLOW-UP COMMENTS ON OPEN CONCERNS WITH CLIENT RESPONSES.**

FINDING	DESCRIPTION	STATUS	COMMENTS
1	Some departments are not in compliance with AD-32, Cellular Communication Services.	OPEN	See page 6 of the report.
2	Detailed supporting documentation was not always provided with the cell phone vendor invoices.	OPEN	See page 7 of the report.
3	Not all departments are using the correct expenditure subobject code for cell phone accessory purchases.	OPEN	See page 8 of the report.
4	Departmental cell phone monitoring needs improvement.	OPEN	See page 9 of the report.
5	Departments did not always receive a discount on the purchase of cell phone accessories.	OPEN	See page 10 of the report.
OBSERVATION	DESCRIPTION	STATUS	COMMENTS
1	Sprint overcharged the County.	CLOSED	Sprint provided documentation that supported their discount methodology change to the WSCA contract.
2	AT&T overcharged the County for accessories purchased on the County Storefront.	CLOSED	AT&T reimbursed the County for the incorrect discounts for accessories purchased via the storefront.
3	Sprint's data file format makes analysis difficult to perform.	CLOSED	Sprint invoices are in a PDF format so that the invoices cannot be manipulated. Sprint offers other formats upon request from the customer.

OBSERVATION	DESCRIPTION	STATUS	COMMENTS
4	Standard operating procedures over the cell phone process have not been documented in writing.	OPEN	See page 11 of the report.
5	Controls over the inventory listing needs improvement.	OPEN	See page 12 of the report.
6	Appropriate cell plans can lower cost to the County.	CLOSED	AD-32 instructs departments to perform specific duties to ensure departments are responsible for ensuring they select the best possible plan available to them.
7	Reimbursement information in Human Resource Policy and Procedure Manual, Section HR 6.22 is not consistent with AD-32.	CLOSED	Human Resources updated the information in HR 6.22, <i>Human Resource Policy and Procedure Manual Section</i> to be consistent with AD-32.
8	Monitoring of vendor performance is not adequately addressed at the department level.	OPEN	See page 13 of the report.
9	Increased automation of the providers' cell phone bills would make processing more efficient.	CLOSED	AD-32 requires departments to submit electronic copies of invoices to County Finance.
NEW FINDING	DESCRIPTION		COMMENTS
	Storefront websites need better security to prevent employees from making personal purchases.		See page 15 of the report.
NEW OBSERVATION	DESCRIPTION		COMMENTS
	Controls are needed over the monitoring of departmental administrative duties required by AD-32.		See page 16 of the report.

**FOLLOW-UP COMMENTS ON
OPEN CONCERNS WITH CLIENT RESPONSES**

**This section details the open concerns at the completion of the follow-up audit.
Note: Client Responses are included verbatim and are seen in *italics*.**

FINDING 1: FOLLOW-UP COMMENT

Some departments are not in compliance with *AD-32 Cellular Communication Services*.

In the original audit we found several instances of non-compliance to AD-32 for not having cell phone justification forms on file. During our follow-up audit procedures, we noted multiple concerns associated with the justification forms in 4 of the 6 departments selected as our sample. The concerns were:

- Two departments had forms that were completed late.
- Two departments did not have a form on file that was for pooled cellular devices not assigned to an individual.
- Two departments had an employee that did not have a current form on file.
- One department had the wrong form on file for one employee.
- One department had a cellular phone reassigned to another employee and the new employee did not have a current form on file.

RECOMMENDATION:

Department management should implement monitoring procedures to ensure compliance with AD-32

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Staff appointed by the Executive Team, or a consultant engaged through the County procurement process will review and recommend changes to Administrative Directive 32 that resolve the Findings and Observations cited in this audit. Administration will consider those recommendations, adopt as appropriate and implement any necessary new procedures. The recommendations will include the specific assignment, description, training support and reporting requirements of policy oversight and control on a county-wide level.

TARGET COMPLETION DATE:

01/01/2013

FINDING 2: FOLLOW-UP COMMENT

Detailed supporting documentation was not always provided with the cell phone vendor invoices.

In the original audit, it was noted that two departments did not submit detailed invoices to County Finance for vendor payment. During the follow-up procedure, we noted one department was not submitting detailed invoices to County Finance for vendor payment.

RECOMMENDATION:

Department management needs to ensure proper documentation is submitted to County Finance when requesting payment to the vendor.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

FINDING 3: FOLLOW-UP COMMENT

Not all departments are using the correct expenditure subobject code for cell phone accessory purchases.

When reporting expenditures in the County's official financial record (FAMIS), a subobject code is required for proper accounting. In fiscal year 2012, our testing found that not all departments used the correct subobject code (4100) when reporting cell phone and accessory expenditures. We selected 64 reportable transactions for testing and found 25 (or 39%) transactions were not reported correctly. They were:

- 1 transaction used 4600 Maintenance- Building/ Facility,
- 7 transactions used 4601 Maintenance Equipment,
- 4 transactions used 5100 Office Supplies and minor Office Equipment,
- 1 transaction used 5102 Computer Software/Hardware Upgrades
- 12 transaction used 5200 - General Operating Supplies and Minor Equipment.

RECOMMENDATION:

Department management should train their employees in the importance of selecting the correct subobject code to ensure compliance with financial reporting requirements.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

FINDING 4: FOLLOW-UP COMMENT

Departmental cell phone monitoring needs improvement.

In the original audit, we noted that monitoring of cell phone procedures by departments required improvement. During our follow-up audit procedures, we selected six departments to review for compliance of their departmental administrative duties (required by AD-32) and with our original audit recommendation. The following concerns were noted:

- One department had a partial draft procedure, while another department had a procedure that required a revision to include the departmental administrative duties. The remaining four departments did not have written cell phone procedures.
- Six of the six departments did not have a copy of all current telephone contracts for use in cell phone monitoring.
- Two departments are currently reviewing other cell providers for cost savings. The remaining four departments could not provide evidence of a quarterly review being performed.
- One department provided evidence of a pool plan utilization goal, while four departments had not established the goal. One department did not require a goal utilization pool plan.
- Three of the six departments could not provide evidence that they are having the vendors reevaluate the number of pooled minutes, document such efforts, and share pool minutes if cost effective. Two departments could not provide evidence of a review being performed, but are currently reviewing other cell providers for cost savings. One department does not use a pool plan so no concern was noted.

RECOMMENDATION:

Management should ensure departments are complying with administrative duties as required by AD-32. These duties include ensuring the correct sub object code for vendor payments; establishing written procedures for monitoring cell phone bills; verifying invoices are properly billed; assuring all plan discounts are applied for; maintaining current cell phone contracts; quarterly reviewing for best plan available and pooled minutes; maintaining current cell phone inventory listing; delegating the responsibility for full compliance with AD-32; and establishing quarterly report activities to department director.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

FINDING 5: FOLLOW-UP COMMENT

Departments did not always receive a discount on the purchase of cell phone accessories.

During the original audit, cell phone accessories purchased at cell phone retail stores did not receive a County discount. The County can receive a discount at a retail Sprint store if the store representative knows to give the discount. At AT&T stores, the discount is not available because store representatives do not have access to the governmental accounts. During testing, we noted that two of twelve expenditure transactions selected (17%), did not receive the County's discount. The discount the employee should have received was 20% when purchased through the cell phone vendor storefront.

RECOMMENDATION:

Management should provide training on the administration of AD- 32, *Cellular Communication Service* or provide clear instructions on the preferred method of procurement to ensure the County receives the discount.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

OBSERVATION 4: FOLLOW-UP COMMENT

Standard operating procedures over the cell phone process have not been documented in writing.

In the original audit, it was noted that several departments did not have written procedures over the cell phone process. During our follow-up audit procedures we noted:

- Four of the six departments tested did not have standard operating procedures over the cell phone process.
- One of the six departments had procedures that did not address the issues identified in the original audit.
- One department had written draft procedures which had not been finalized and implemented.

RECOMMENDATION:

Detailed operating procedures should be developed to ensure management's system of internal control over of the cell phone process complies with Administrative Directive 32.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

OBSERVATION 5: FOLLOW-UP COMMENT

Controls over the inventory listing needs improvement.

In the original audit, there were several departments' inventory lists that were inaccurately recorded or had cell phones that were not recorded on the departmental inventory. Not all departments in the original audit had maintained an accurate cell phone list/inventory.

One of the six departments did not have an inventory listing and did not match the employees on the invoice to who actually had possession of the cell phone device. Five of the six departments did have the inventory listing and matched the monthly invoice to the departmental listing for cell phones.

RECOMMENDATION:

The department should create an inventory listing and reconcile the listing to the actual invoices.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

OBSERVATION 8: FOLLOW-UP COMMENT

Monitoring of vendor performance is not adequately addressed at the department level.

While reviewing cell phone vendor contract performance, we noted the requirements of AD-32 were not adequately addressed in six of the six departments selected for testing. For example:

- AD-32 requires the individual responsible for full compliance to the directive be identified by the AD-06, *BOCC Signature Authorization and Delegation of Authority Form*. Although four of the six persons delegated had the required AD-06 form on file at the BOCC County Finance Department, the form does not have a specific area to indicate the person had been assigned the responsibility. Two had no AD-06 on file.
- Written procedures were requested from the six departments selected for our test work. Four departments did not have written procedures. Two departments provided their procedures and they were found to be incomplete. One of these departments provided a draft procedure that had not been implemented by their management while the second department did not address any of the AD-32 requirements.
- Five of the six Department directors did not receive a quarterly report of compliance activities for AD-32. One of the six departments provides a report monthly to their director.

According to Information & Technology Services' management, for monitoring purposes, copies of the vendor contracts are available in the AD-32 as a hotlink.

RECOMMENDATION:

Departments should ensure compliance by:

- Formally delegating the responsibility for compliance to the AD-32 to an individual,
- Establishing written vendor performance monitoring procedures in accordance with AD-32, and
- Ensuring Quarterly AD-32 compliance reports are provided by the delegated Coordinator.

CLIENT RESPONSE:

Partially Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

We do believe that vendor monitoring is the most effective solution. Controlling employee access to vendors and administrative sanctions for misuse are more appropriate controls. These solutions are achieved through the review, update and implementation of AD-32.

TARGET COMPLETION DATE:

01/01/2013

NEW FINDING

Storefront websites need better security to prevent employees from making personal purchases.

Cellular telephone vendor storefront websites did not prevent County employees from making personal purchases. During testing, the following issues were noted:

1. The County's Sprint storefront, located on COIN, does not prevent employees from making personal purchases.
2. The AT&T County storefront allowed one employee, who possessed a County sign-on identification and password, to purchase accessories using their personal credit card as a method of payment.

For both vendors, the County's discount and tax exempt status could be used for personal gain.

RECOMMENDATION:

1. County sponsored cellular telephone storefronts should be secured to prevent personal purchases by County employees.
2. AD-32 should be amended to include a provision that "no personal purchases are allowed on the storefront."

CLIENT RESPONSE:

1. Partially Concur

2. Concur

CORRECTIVE ACTION PLAN:

1. Please see response to Finding 1, above.

Methods other than securing storefront websites are available to prevent personal purchases. These alternative solutions will be included in the update of AD-32.

2. Please see response to Finding 1, above.

TARGET COMPLETION DATE:

1. 01/01/2013

2. 01/01/2013

NEW OBSERVATION

Controls are needed over the monitoring of departmental administrative duties required by AD-32.

During the follow-up audit compliance testing of the departmental administrative duties, we noted eighty-five (85) instances of non-compliance to AD-32. Independent compliance monitoring over the requirements of AD-32 have not been assigned to an individual with authority to ensure each department is complying with the directive.

RECOMMENDATION:

The Executive Team should assign administrative oversight responsibility for AD-32 to an individual with authority to ensure each department is complying with the directive. Oversight should include a developed methodology that would reasonably assure that all departments are fulfilling the requirements established by the directive.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Please see response to Finding 1, above.

TARGET COMPLETION DATE:

01/01/2013

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