

PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

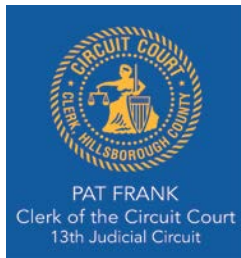
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

PROMPT PAYMENT ACT COMPLIANCE

REPORT # 263

July 7, 2014



DATE: July 7, 2014

TO: Pat Frank, Clerk of the Circuit Court

The Audit Team performed an audit of compliance with the Prompt Payment Act (Audit Report # 263, dated July 7, 2014). The Audit Team did not identify any material concerns that warrant management's corrective action.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of County Finance Payables during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Dan Klein, Chief Deputy Clerk to the Board
Tim Simon, Director, County Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

County Finance performs financial functions supporting the Clerk of the Circuit Court's role as accountant and treasurer for the Board of County Commissioners (BOCC) as the chief financial officer of Hillsborough County. Financial functions include:

- Preparation of countywide, enterprise, and other financial reports;
- Coordination of the annual audit by the County's independent auditors;
- Maintenance and retention of financial records;
- Banking;
- Cash management and investment of County funds;
- Issuance and management of County debt;
- Monitoring grants;
- Auditing the County's budget and budget amendments; and
- Receipt and disbursement of County funds of the BOCC and other agencies in compliance with Generally Accepted Accounting Principles (GAAP), federal, state, and County laws and regulations, County policies and contractual obligations.

Florida Statutes Chapter 218, Part VII, subsection 218.71(2) of the Prompt Payment Act states, "It is the policy of this state that payment for all purchases by local governmental entities be made in a timely manner."

OBJECTIVE

The objective was to determine whether or not vendor invoices were paid timely and in compliance with the Florida Prompt Payment Act (F.S. 218.70 – 218.80).

SCOPE

The scope of the audit was to assess the Board of County Commissioners' compliance with the Florida Prompt Payment Act for the three month period ending December 31, 2013.

OVERALL EVALUATION

County Finance personnel were responsive to the Audit Team's inquires and provided data and other information in a prompt and courteous manner. The Department has knowledgeable and dedicated employees.

The audit results indicate that County Finance has adequate controls in place to ensure that vendor invoices are paid timely and in compliance with the Florida Prompt Payment Act.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE REFERENCE
1	Vendor payments appear to be paid timely and in compliance with the Prompt Payment Act.	3

OPINION

No material concerns were identified during testing. The control environment is well designed and appears to be functioning as desired.

AUDITED BY

Peggy Caskey, Director of County Audit
Mark Kolman, Audit Manager
Lovonia Scott, Staff Auditor

AUDIT COMMENT

AUDIT COMMENT

Vendor payments appear to be paid timely and in compliance with the Florida Prompt Payment Act.

The objective was to determine whether or not vendor invoices were paid timely and in compliance with the Florida Prompt Payment Act (F.S. 218.74).

Florida Prompt Payment Act: Typically, per the Prompt Payment Act, payment is due 45 days from the date a proper invoice is received with the exception of construction services which are due 20 or 25 days from the date received.

- If the agent (project architect, project engineer, or any other agency or person acting on behalf of the County) must approve the payment request or invoice prior to the payment request or invoice being submitted to the County, payment is due 25 business days after the date in which the payment request or invoice is stamped as received.
- If the agent need not approve the payment request or invoice which is submitted by the contractor, payment is due 20 business days after the date in which the payment request or invoice is stamped as received.

Audit Testing: The Audit Team obtained the full population of invoice payments during a snap shot in time. The Audit Team removed retainage and cancelled invoices from the population. The Audit Team sorted the remaining invoice payments into two groups, construction and non-construction, and then calculated the lag time between the invoice create date (the date the invoice was entered into the accounts payable queue) and the treasury (payment) date.

As shown in Table 1 below, test results indicate that for the three month period ending December 31, 2013, 100% of the construction invoices were paid within 20 business days and 98.5% of the non-construction invoices were paid within 45 calendar days of the create date. The Audit Team did not consider the lag time between the create date and the acceptance of a proper invoice date. The Audit Team's test was more stringent than the Prompt Payment Act requires.

TABLE 1

Invoice Type	Population of Invoices	Paid In 20 or 45 Days of Create Date	Paid Over 20 or 45 Days of Create Date	Test Result
Construction	180	180	0	100% paid within 20 business days.
Non-construction	15,986	15,745	241	98.5% paid within 45 calendar days.

The Audit Team tested a sample of 10 (or 4%) of the 241 non-construction invoices that were paid after 45 days. Based on the Audit Team’s review of financial records and discussions with County Finance personnel, the lag time was due to obtaining additional and necessary information from the vendor or department to ensure proper invoice. No material concerns were identified.

The Audit Team also assessed a sample of 58 (or 16%) of the 373 non-construction invoices that were created during the three month period reviewed but remained in the accounts payable queue as of January 24, 2014. County Finance records (OnBase notes) indicate that the lag time was due to: receipt holds, cancellations, untimely submission into the OnBase accounts payable queue (departmental processing), invoice corrections, and improper invoice information.

Due to the low percent of unpaid invoices (2% of 15,986 in the population), well documented financial notes, and communications with key personnel, the Audit Team deemed it unnecessary to perform third party confirmation for compliance with F.S. 218.76(1) that states that, "...if an invoice received is subsequently determined to be improper, it shall be returned to the vendor within ten (10) days, accompanied by a notice which states that it is improper and indicate what corrective actions are needed to make the invoice proper..."

As an additional test, to determine the reasonableness of time between the invoice date and the invoice create date, the Audit Team selected a random sample (using an 80% confidence level) of 162 non-construction invoices and calculated the number of calendar days between the two dates. The results indicate that 69% of the invoices were scanned into OnBase within 14 days of the invoice date. This performance measure appears to be reasonable.

Timeliness Control: As a continuous monitoring control, County Finance runs an accounts payable queue aging report. This helps County Finance identify indicators that a vendor or department may be experiencing difficulty with payment processing. County Finance notifies departmental management and

offers assistance with clearing any delays. This aging report also helps County Finance monitor its goal of paying invoices in compliance with the Prompt Payment Act.

Conclusion: Based upon test results, interviews, and observations, it appears that County Finance's payments are, with few exceptions, timely and in compliance with the Prompt Payment Act.

RECOMMENDATION - None

Audit test results did not identify any material concerns that require management's corrective action.