



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**TAMPA BAY SYSTEM SALES INC – CONTRACT MANAGEMENT AND
COMPLIANCE AUDIT**

REPORT # 317

NOVEMBER 30, 2016



November 30, 2016

The Honorable Stacy White, Chairman
The Honorable Lesley "Les" Miller,
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Pat Kemp
The Honorable Sandra L. Murman

Dear Chairman White and Commissioners:

The Audit Team performed an audit of the Tampa Bay System Sales Inc - Contract Management and Compliance (Audit Report #317, November 30, 2016). Responses to the Audit Team's recommendations were received from the Director of Real Estate and Facilities Services and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Real Estate and Facilities Services during this audit.

Sincerely,

Steve Hooper, CIA, CGAP, CCSA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Thomas Fass, Assistant County Administrator

Joshua Bellotti, Director of Real State and Facilities Services
Kevin Brickey, Management and Budget Office
Pat Frank, Clerk of the Circuit Court
Dan Klein, Chief of Staff, Clerk of the Circuit Court
Rick VanArsdall, Chief Deputy, Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Tampa Bay System Sales (dba Tampa Bay Trane) has operated and maintained the County’s Central Chiller Plant since its completion in October 2002. In 2004, the County awarded Tampa Bay Trane the Operation and Maintenance Agreement for the Central Chiller Plant (the Agreement). The Agreement has subsequently been modified to include additional buildings and has been renewed through September of 2019. The Agreement with subsequent renewals and modifications, now totals \$10,062,539.00.

OBJECTIVE

The objective of the audit was to determine whether or not the Agreement with Tampa Bay Trane is adequately monitored by Real Estate and Facilities Services (REFS) to ensure compliance with stated terms and conditions.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The audit scope includes the transactions and monitoring activities associated with the Agreement from October 1, 2014 through August 31, 2016.

OVERALL EVALUATION

The employees of Real Estate and Facilities Services were responsive to the Audit Team’s inquiries and provided the information requested in a timely and polite manner. In addition, every meeting and interaction with members of the REFS team throughout the audit had a productive combination of positive cooperation, resourceful support, and well-informed responses.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Adequate controls appear to be in place for the invoice payment process.	3
2	Opportunities exist to strengthen the controls surrounding the monitoring of preventive maintenance tasks.	5

OPINION

The overall control environment relative to the management of the Agreement is at a formal (defined) maturity level. This means that management has developed processes and controls which reasonably ensure that the vendor's performance and billings are in compliance with the terms of the Agreement. Some maintenance exceptions were noted and an opportunity was identified to strengthen the monitoring controls over the preventive maintenance schedule required by the Agreement. Addressing these opportunities will enhance the overall control structure and provide additional assurance and monitoring.

The exit conference was held on November 15, 2016.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Steve Hooper, CIA, CGAP, CCSA, CFE, Director of County Audit
Heidi Pinner, CIA, CFE, CISA, CRMA, General & IT Audit Manager
Raul Cardona, CIA, CISA, CAMS, Senior Internal Auditor
Richelle Anderson, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS**AUDIT COMMENT 1**

Real Estate and Facilities Services (REFS) appears to have adequate controls in place for the invoice payment process.

The objective was to determine whether or not Trane invoice payments were properly and accurately processed in compliance with the Agreement.

Purchase orders are created in Oracle each fiscal year based on the Agreement's annual cost estimates and prior year's expenditures. Each Tampa Bay Trane invoice received is compared against the purchase orders created to ensure that the invoice detail is accurately stated before being submitted for approval and final payment.

The Audit Team conducted interviews and documented the invoice and payment process to determine if controls are in place to ensure the County has been correctly invoiced and payments have been accurately processed.

The audit team identified 6 purchase orders and 25 corresponding invoices totaling \$1,708,477.75 that have been issued against the Agreement for the audit period from October 1, 2014 through August 31, 2016. The Audit Team tested all 25 invoices by examining the supporting documentation, approvals, receipts, and payments.

Testing Results

- All 25 invoices and 6 purchase orders reviewed contained labor rates and job descriptions that matched the requirements set forth in the Agreement.
- All 25 invoices contained proper approval.
- All approvals were obtained timely, within 30 days of the invoice receipt date.
- All receipts were created properly and timely.
- All payments were processed accurately and timely, within 45 days of receipt.
- Appropriate and accurate supporting documentation was maintained for each invoice.

The Audit Team also compared the total estimated cost of services in the Agreement to the actual amount paid against the Agreement for both FY15 and FY16.

Estimated cost of services for FY15 & FY16:	\$ 1,734,700.00
Actual amount paid for Trane invoices for FY 2015 & FY 2016:	\$ 1,763,230.33
Variance:	\$ 28,530.33

The costs of service estimates in the Agreement appear to be appropriate and adequate. As indicated in the table above, the total amount spent for FY2015 & 2016 was within 2% of the Agreement's estimated total costs.

RECOMMENDATION

The Audit Team did not identify any material concerns that require management's corrective actions.

AUDIT COMMENT 2**Opportunities exist to strengthen the controls surrounding the monitoring of preventive maintenance tasks.**

The objective was to determine whether or not preventive maintenance procedures were performed and monitoring activities have been implemented by REFS in compliance with the terms and conditions stated in the Agreement.

On a monthly basis, Tampa Bay Trane provides their onsite employee, located at the Central Chiller Plant, a list containing all preventive maintenance tasks to be performed throughout the month for each of the six facilities included in the Agreement. As each job is completed, detail of the work performed and the time used for each task is entered into a maintenance log. This log is submitted monthly to REFS for review.

The Audit Team judgmentally selected a sample of 174 preventive maintenance tasks out of the 395 total tasks identified in the Agreement. To determine whether or not the tasks were completed as planned and adequate and effective controls were in place, the Audit Team:

- Obtained the completed logs detailing the preventive maintenance performed for the audit period.
- Determined whether the 174 planned maintenance tasks were completed and documented as required in the Agreement.
- Followed up with the REFS process owner for any instance of a preventive maintenance task not found in the logs.

Testing Results

- Of the 174 preventive maintenance tasks selected, 113 (65%) were recorded in the logs. The remaining 61 (35%) tasks could not be confirmed.
- Per REFS management, some of the unconfirmed maintenance tasks may be in the Agreement but not actually required or may have been included within another maintenance task and not specifically detailed.
- REFS personnel review the contractor's work during routine visits. However, no records of these reviews are maintained and there is no predetermined criteria or frequency established.

RECOMMENDATION

To ensure that preventive maintenance procedures and monitoring activities are fully performed in compliance with the terms of the Agreement, management should consider:

- Developing a method to more accurately monitor the preventive maintenance tasks required to be performed by the Trane contractor to ensure they are performed timely, properly reviewed, and documented into the log.
- Ensuring that the schedule of preventive maintenance requirements in the Agreement accurately reflects the desired level of service and the appropriate level of detail.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

- *Corrective measure will include auto generating Preventive maintenance work orders from the current (CMMS) to document the inspections of selected tasks once service report has been provided from the Trane service technician on a monthly cycle. These inspected items will be noted and attached within the (CMMS). This procedure has been initiated as of October 1, 2016.*
- *Corrective measure will include review of maintenance terminology with Trane technician to ensure specific lines are being documented accurately. Then REFS will conduct a review of the contract language to determine if a modification is needed to accurately specify the service intervals and criteria needed to perform the required preventive maintenance to the system. The discussion with Tampa Bay Trane on the use of the correct terminology is scheduled for November 15, 2016 during the regular monthly meeting. The contract language will be evaluated during the first quarter FY17 for modification if necessary.*

TARGET COMPLETION DATE

December 30, 2016