



PAT FRANK  
Clerk of the Circuit Court  
13th Judicial Circuit

**County Audit Department**

**Quarterly Status Report of Audit Recommendations and  
Board of County Commissioners' Management Action Plans  
Quarter Ending December 31, 2016**

**Report # 321**

**February 23, 2017**



**Date:** February 23, 2017

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

**From:** Steve Hooper, CIA, CFE, CCSA, CGAP, Director of County Audit

**Subject:** Quarterly status report of audit recommendations and Board of County Commissioners' management action plans

Dear Chairman White and Commissioners:

The County Audit Department operates in compliance with the standards set forth in the International Professional Practices Framework as well as Government Auditing Standards. These standards require that County Audit communicate the results of audit engagements to the appropriate parties and monitor the action taken by management in response to any audit recommendation.

Attached is the quarterly report on the status of all management corrective action plans as of the end of the first quarter of fiscal year 2017. Addressing these open recommendations will enhance the Board of County Commissioners' overall operations and mitigate risks to the organization. For the quarter ended December 31, 2016, the County Audit Department monitored management action for six recommendations. One of these six recommendations remained open as of December 31, 2016 and will carry forward to the second quarter of fiscal year 2017. *See Attachment 1*

As you are aware, these audit recommendations are issued via Audit Reports which are presented to you for the routine audits conducted throughout the year. You may or may not be aware that in addition to routine audits, the County Audit Department is also available to perform risk assessments, management assistance projects and continuous monitoring. Unlike traditional audits, these projects do not result in formal audit recommendations and do not require a response from management. These projects are communicated via a Management Memorandum to the appropriate County Executive Team members.

As part of our quarterly reporting for the first quarter of fiscal year 2017, we have also attached a copy of each of the Management Memorandums issued to the County Administrator and staff during first quarter of fiscal year 2017 for your review. *See Attachment 2*

I appreciate this opportunity to be of service to the Board of County Commissioners. I will be pleased to respond to any questions that you may have concerning the attached report and to furnish you with any desired information.

**CC:** Mike Merrill, County Administrator  
Greg Horwedel, Deputy County Administrator  
Lucia Garsys, Chief Development & Infrastructure Services Administrator  
Eric Johnson, Assistant County Administrator, Strategic Initiatives, Human Resources & Grants  
Kevin Brickey, Performance Mgmt, Management & Budget  
Peggy Caskey, County Internal Auditor  
Pat Frank, Clerk of the Circuit Court  
Rick Van Arsdall, Chief Deputy, Finance & Budget

## Steps in the Management Action Plan Monitoring Process



### DEFINITIONS:

**Pending** = Indicates that the recommendation was sent to TeamCentral and client management has not yet started implementation.

**Started** = Indicates that client management has started implementation.

**Implemented** = Indicates that the recommendation was implemented but the recommendation has not yet been approved by the client and the Audit Team.

**Partial Client Approval** = Indicates that the recommendation received one or more client approvals, but not yet final client management approval.

**Final Client Approval** = Indicates that the recommendation received final client management approval and is now ready for the Audit Team to approve or reject the implementation.

**Audit Approval** = Indicates that the recommendation received the Audit Team's approval and is now ready to be tested and closed.

**Closed** = Indicates that the County Audit Department stopped monitoring.

**By Audit Team** = Indicates that the Audit Team reviewed or verified the actions taken to implement the recommendation and the recommendation is closed.

**Follow-Up Unwarranted** = Indicates that the recommendation was closed by the Audit Team because the concern is no longer applicable or no corrective action is needed.

**Management Accepts Risk** = Indicates that the recommendation was closed by the Audit Team because client management accepted the risk exposure and is not implementing the recommendation.

**County Audit Follow-Up Tracking Expired** = Indicates that the recommendation is greater than 12 months old, and corrective actions have not been implemented by client management. County Audit will no longer track the status of the implementation and has referred this item to the Office of the Internal Auditor for future follow up as desired.

**STATUS OF AUDIT RECOMMENDATIONS as of February 20, 2017\***

Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Revised Implementation Date	Actual Implementation Date	Recommendation Close Date
309 & 310   Fixed Assets - Inventory Shortages Audit	There are opportunities for Fire Rescue to improve the tracking and management of fixed assets.	Pending	Fire Rescue	11/1/2016	3/31/2017		
311   Utility Billing Control Environment	There is an opportunity to improve controls over the resolution of issues and/or problems identified during the meter-reading process.	Closed By Audit Team	Public Utilities	10/31/2016	NA	10/10/2016	1/25/2017
311   Utility Billing Control Environment	Consider implementing stronger controls over the cash custodian and reconciliation processes.	Closed By Audit Team	Public Utilities	11/1/2016	NA	11/1/2016	12/14/2016
317   Tampa Bay System Sales Inc - Contract Management and Compliance Audit	Opportunities exist to strengthen the controls surrounding the monitoring of preventive maintenance performed.	Closed By Audit Team	Real Estate and Facilities Services	12/30/2016	NA	10/1/2016	2/15/2017
318   Human Resources - Worker's Compensation	Opportunities exist to improve controls over the claims administration services invoice review and approval process	Closed By Audit Team	Human Resources	12/19/2016	NA	12/19/2016	2/1/2017
318   Human Resources - Worker's Compensation	Opportunities exist for Human Resources to improve contract compliance over claims administration services for medical only and indemnity claims.	Closed By Audit Team	Human Resources	12/19/2016	NA	12/19/2016	2/1/2017

\* = Due to a system error that prevented the client from being able to access and/or update these issues in our audit tracking software, the status "as of date" was extended beyond the end of the first fiscal quarter to compensate for this technical issue.

**COUNTY AUDIT DEPARTMENT ISSUED MANAGEMENT  
MEMORANDUMS FIRST QUARTER FY17**

<b>MEMO #</b>	<b>TITLE</b> (click on a title to jump to the management memo)	<b>PAGES</b>
<b>MM31</b>	<b>Fourth Quarter Results – Purchasing Card Continuous Monitoring</b>	<b>6-10</b>

COUNTY AUDIT DEPARTMENT  
MANAGEMENT MEMORANDUM #31



**DATE:** December 8, 2016  
**TO:** Scott Strommer, Director, Procurement Services  
**CC:** Mike Merrill, County Administrator  
Bonnie Wise, Chief Financial Administrator  
Greg Horwedel, Deputy County Administrator  
Lucia Garsys, Chief Development & Infrastructure Services Administrator  
Dan Klein, Chief of Staff, Clerk of the Circuit Court & Comptroller  
Rick VanArsdall, Chief Deputy of Finance/Budget, Clerk of the Circuit Court & Comptroller  
Tim Simon, Director of County Finance, Clerk of the Circuit Court & Comptroller  
**FROM:** Steve Hooper, Director of County Audit, Clerk of the Circuit Court & Comptroller  
**SUBJECT:** Fourth Quarter Results – Purchasing Card Continuous Auditing Project  
**Attachments:** *1. Basic Transaction Testing; 2. Term Account Utilization*

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The objective of the Purchasing Card (PCard) Continuous Auditing Program is to evaluate the appropriateness of PCard purchases made during each quarter of the fiscal year via analysis and sample testing. Fourth quarter testing included basic transaction analysis and a review of term account annual usage. The Purchasing Card project is designed to continuously evolve and adapt the types of testing and analysis performed, with input from management, to ensure that the program delivers timely and useful results and assurances.

**Scope:** PCard transactions made from July 1, 2016 through September 30, 2016.

**Overall testing result:**

Total PCard spending was \$5,699,497.52 in the fourth quarter of FY 2016. These purchases were made by 551 unique cardholder accounts. Analytical review of the purchases and trends determined:

- Four (4) purchases were identified for items on the prohibited items list.
- Two (2) purchases were identified which erroneously included sales tax in the transaction.
- Two (2) purchases had incomplete supporting documentation.
- Two (2) purchases were identified as split purchases.
- No purchases were made by terminated cardholders.
- One Term Account appears to have exceeded the awarded contract amount.
- The need for contracts or contract modifications should be reviewed in relation to term accounts.

*Please see the attachments for further testing details and analysis.*

*Feel free to contact me, (813) 307-7000, with any questions, comments or suggestions.*



***Attachment 1***  
**RESULTS OF BASIC TRANSACTION TESTING**

**Spend by MCC**

Purchases made during the fourth quarter of fiscal year 2016 were analyzed based on the Merchant Category Code (MCC) and description. Transactions were compiled to identify the merchant categories with the most spending. The table below identifies the top 5 spends by MCC for the fourth quarter of fiscal year 2016. Transactions were judgmentally sampled and reviewed for appropriate support and justification.

MCC	MCC Description	Debit	# of Transactions
5085	Industrial Supplies Not Elsewhere Classified	\$410,119.89	507
5137	Business Services Not Elsewhere Classified	\$331,268.97	352
7829	Motion Picture & Video Tape Production	\$185,065.68	78
5815	Books, Periodicals And Newspapers	\$181,563.79	139
5065	Lab, Medical/Dental/Ophthalmic Hospital	\$181,004.10	255

Transactions were also reviewed for any unexpected or unusual MCC descriptions and for the appropriate exclusion of sales tax. Examples of the unusual or unexpected MCCs observed included Record Shops, Drinking Places (Alcoholic Bev.) and Hobby, Toy and Game Shops. The Audit Team reviewed the documentation and justifications for these transactions. The following transactions were identified as exceptions:

- Two (2) purchases were identified where Florida sales tax was charged. These transactions were referred to the purchasing card administrator.
- Transactions were also reviewed for MCC codes which included items on the prohibited items list. The following chart lists four (4) instances which appear to include the purchase of items on the prohibited items list. The PCard administrator was notified of each of the transactions.

MCC Description	Amount	Exceptions
Telecommunication Service	\$109.80	Three transactions of \$36.60 each for the purchase of wireless telephone service, which is prohibited by procurement policy. No approved exception was noted in the supporting documentation.
Bands, Orchestras, Entertainers	\$200.00	A transaction (of \$200) using a third party billing Vendor (PayPal) set up in an individual's name. Transactions of this kind are prohibited per the procurement policy. No approved exception was noted in the supporting documentation.



**Spend by Cardholder**

The Audit Team identified the ten cardholders with the highest dollar spend for the period. Samples of purchases for these cardholders were selected and supporting documentation examined.

The top ten cardholder account purchases totaled \$1,158,002.98 or 20% of total purchases for the fourth quarter of fiscal year 2016. These purchases were made by cardholders within Library Services (54%), Fire Rescue (30%), Public Utilities (5%), Aging Services (5%) and Information and Technology Services (5%). The following table shows the top ten cardholder accounts and any observations made during the Audit Team’s review of sample transactions.

Top Ten Cardholders			
Amount Spent	Cardholder or Position Title	Cardholder Department	Comment or Result
\$185,065.58	Midwest Tape	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account – See Attachment 2
\$173,385.91	Overdrive	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account – See Attachment 2
\$173,319.79	Baker & Taylor	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account – See Attachment 2
\$150,127.07	Design Lab	Fire Rescue	There was justification and approval for the purchases sampled. This is a term account see Attachment 2 for further analysis.
\$121,876.35	Logistics Manager	Fire Rescue	<b>One of the sampled transactions did not document the procurement method used in the Expense Report Justification field of Oracle iExpense. In addition, one of the sampled transactions did not have all of the required quotes. The PCard administrator was made aware of these exceptions.</b>
\$95,179.09	Miscellaneous Account	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account – See Attachment 2
\$72,063.69	Office Assistant	Fire Rescue	No exceptions were noted for the sample purchases reviewed.
\$63,001.10	Office Assistant	Aging Services	<b>One of the sampled transactions did not document the procurement method used in the Expense Report Justification field of Oracle iExpense.</b>
\$62,324.16	Tanner, Ind	Public Utilities	There was justification and approval for the purchases sampled. This is a term account see Attachment 2 for further analysis.
\$61,660.24	Manager	Information Technology Services	No exceptions were noted for the sample purchases reviewed.

Similar to what was identified in the first and second quarter testing, a substantial portion of the top cardholder spending for the third quarter can be attributed to term accounts set up for a single vendor. Analysis and testing related to the use of these accounts is included in Attachment 2.



**Spend by Vendor**

The Audit Team identified the amount spent per vendor for the period and reviewed supporting documentation and justification for a sample of purchases over \$5,000.00. The Audit Team also reviewed the transactions and determined that no purchases had been made from vendors on the State of Florida debarred vendor list. Purchases from the top five vendors totaled \$831,947.99 and accounted for 15% of the quarter’s total spending. The following table shows the total amount spent with each vendor during the third quarter. Four out of the five top vendors are term accounts. See Attachment 2 for Term Account Testing.

Top Five Vendors			
Amount Spent	Vendor	Purchase Details or Justification	Comment or Result
\$396,443.50	MidWest Tape	Electrical supplies per contract	Term Account. No transaction exceptions noted.
\$306,936.22	Overdrive	Library Materials	Term Account. No transaction exceptions noted.
\$185,020.42	Baker & Taylor	Library Materials	Term Account. No transaction exceptions noted.
\$167,662.97	Design Lab	Uniforms per contract	Term Account. No transaction exceptions noted.
\$132,972.00	Office Depot	(Office) Furniture	<b>Two of the sampled transactions did not document the procurement method used in the Expense Report Justification field of Oracle iExpense.</b>

**Split Purchase Analysis**

Purchases for the period were analyzed to determine if purchases appeared to be split to circumvent transaction limits. The Audit Team’s analysis identified purchases:

- From a single vendor on a single day that totaled more than the \$10,000 single transaction limit.
- From a single vendor on a single day that totaled more than the \$5,000 quote limit.

This analysis identified 22 instances of purchases potentially split to circumvent the \$10,000 transaction limit and 52 instances of purchases potentially split to circumvent the \$5000.00 quote limit. The Audit Team reviewed the supporting documentation for each of these purchases and identified.

- Fifteen (15) of the 22 transaction limit splits and 25 of the 52 quote level splits were purchases made by Library Services cardholders and were pre-approved exceptions.
- One exception was noted for a purchase split to avoid the transaction limit. This exception was referred to the Purchasing Card Administrator.
- One exception was noted for a purchase split to avoid the quote limit. This exception was also referred to the Purchasing Card Administrator.

**Unauthorized Users (Terminated Cardholders)**

The Audit Team compared fourth quarter purchases to a list of county employees who were terminated or left the county during the period. There were no purchases identified for terminated employees.



**ATTACHMENT 2**

TERM ACCOUNT TESTING AND ANALYSIS

Purchases made by term accounts during the fourth quarter of fiscal year 2016 were examined to determine if they were in compliance with the associated contract terms. The table below includes details on the term accounts identified with fourth quarter purchases.

Term Accounts						
Account/ Vendor	Under Contract	Total Contract Amount	Quarterly Card Limit	Q4 Purchases	Fiscal YTD Purchases (as of September 30,2016)	Comment or Result
Miscellaneous Account (Library Services)	No	NA	\$600,000	\$95,147.51	NA	Utilized for multiple vendors. Card limit appears to exceed the demonstrated need.
Midwest Tape	No	NA	\$600,000	\$185,065.58	\$643,595.67	Management should consider pursuing a contract.
Design Lab	Yes	\$2,611,686 3 year term	No Limit- declining balance account	\$150,127.07	\$728,537.40	No exceptions noted. FY16 spending appears on track with contract limits.
Overdrive	No	NA	\$600,000	\$306,936.22	\$1,061,350.55	Management should consider pursuing a contract.
Baker & Taylor	No	NA	\$1,050,000	\$173,319.79	\$1,021,478.94	Management should consider pursuing a contract. Card limit appears to exceed the demonstrated need.
Tanner, Ind.	Yes	\$204,947 2 year term	\$75,000	\$62,324.16	\$281,398.30	<b>See exception noted below.</b>

The Tanner Industries contract was awarded as of October 1, 2015 for a total award amount of \$204,947. It is a two year agreement. The Tanner Industries term account has exceeded the awarded amount of this two year agreement by over \$76,000.

As indicated in the table above, several of the term accounts have a quarterly card limit (monthly cycle limit x 3) which exceeds the demonstrated purchasing need.