



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

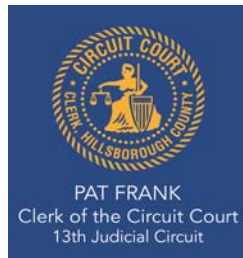
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

BRUCE B. DOWNS GRANT EXPENDITURES AUDIT

REPORT # 323

MARCH 3, 2017



March 3, 2017

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

Dear Chairman White and Commissioners:

The Audit Team performed an audit of the construction invoices for the Bruce B. Downs Boulevard widening project, Segment A (Audit Report # 323, dated March 3, 2017). Responses to the Audit Team's recommendations were received from the Director of Public Works 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 Public Works during this audit.

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

CC: Mike Merrill, County Administrator
Lucia Garsys, Chief Development & Infrastructure Administrator
John Lyons, Director, Public Works
Kevin Brickey, Management & Budget Office
Pat Frank, Clerk of the Court & Comptroller
Rick VanArsdall, Chief Deputy Finance & Budget, Clerk of the Court & Comptroller

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Hillsborough County entered into a grant agreement with the Florida Department of Transportation (FDOT) for a road construction project (the Project) to widen part of Bruce B. Downs Boulevard (County Road 581). The total estimated cost for Segment A of the Project was \$40.1 million, most of which will be paid for by the grant. Hillsborough County and the City of Tampa are also paying for a portion of the cost with their own matching funds. The County has a formal joint project agreement with the City of Tampa for the relocation of City utilities affected by the Project. The Project is managed by County engineering staff, fiscal staff, and consultant staff in the County's Public Works Department.

The County has contracted with two firms for the Project: Prince Contracting, LLC., and KCI Technologies, Inc. Prince Contracting is the construction contractor who performs the physical road work to widen the lanes, and KCI Technologies is an engineering firm that ensures the work is in compliance with specifications and that Prince's invoice billings to the County are accurate. Each month, both firms invoice the County for their work completed during the previous month. The County's Public Works Department reviews the invoices for accuracy, approves payments to the contractors, and then submits reimbursement requests (billings) to the FDOT and City of Tampa for their portion of the Project costs.

OBJECTIVE

The objective of the audit was to determine whether or not adequate and effective controls are in place to ensure that the Project's expenditures are in compliance with the terms of the County's agreements with the FDOT, Prince Contracting, and KCI Technologies.

SCOPE

The audit was conducted in conformance 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 contained Segment A invoices from Prince Contracting and KCI Technologies from November, 2014 through August, 2016 (the Project was still in-progress as-of August, 2016). The County's first 7 reimbursement requests submitted to the FDOT are also within the scope of the audit.

OVERALL EVALUATION

The employees of the Hillsborough County Public Works Department were responsive to the Audit Team's inquiries and provided the information requested in a courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Payment timeliness could be improved to ensure compliance with the Florida Prompt Payment Act.	3
2	There is an opportunity to improve the timeliness of the FDOT reimbursement requests.	6

OPINION

The control environment relative to the Project expenditures is at the formal (defined) maturity level. There are controls in place to ensure the invoicing process is in compliance with the terms of the County's agreements. Addressing the improvement opportunities identified in this Report will help to further enhance the controls to ensure timely invoice payments and grant reimbursement requests.

The exit conference was held on February 2, 2017.

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
 Greg McCullough, CPA, CIA, CFE, Senior Internal Auditor
 Ben Everett, CPA, CIA, CFE, Senior Internal Auditor
 Linsey Brewer, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Payment timeliness could be improved to ensure compliance with the Florida Prompt Payment Act.

The objective was to determine whether or not invoices submitted by Prince and KCI:

- Contained accurate quantities of materials and labor hours.
- Complied with the agreed-upon pay rates.
- Was supported by sufficient documentation.
- Were appropriately reviewed and approved by Public Works prior to payment.
- Were paid timely in compliance with the Florida Prompt Payment Act.

Background

The County's agreement with Prince Contracting includes an itemized listing of each material to be used in the Project, with the related quantities and prices. This itemized listing, known as bid line items or pay items, includes an agreed-upon per-unit installed cost and estimated or maximum allowable quantities for each item.

As Prince performs construction work each month, Prince bills the County for the quantities of each material installed during that month that conform to the technical specifications in the agreement. KCI Technologies inspects the work performed by Prince each month and also bills the County for its inspection work in a separate invoice. Any costs from sub-contractors used by Prince and KCI are added to the amount that Prince and KCI bill the County for on their invoices. KCI uses agreed-upon hourly pay rates and its own employee time sheets to calculate the amount invoiced to the County each month. Invoices from Prince and KCI include line-item calculations that make up the total billed to the County. Sub-contractors require approval from Public Works.

Chapter 218, Part VII, Florida Statutes is known as the Florida Prompt Payment Act which establishes deadlines for local government entities to pay vendors in a timely manner. Construction invoices must be paid within 25 business days from the date that a proper invoice is received. Nonconstruction services require that invoices be paid within 45 business days. Prince Contracting is considered a construction service and KCI is a nonconstruction service.

Test Procedure

The population of invoices through August, 2016 consisted of 19 Prince invoices and 22 KCI invoices. A random sample of 3 Prince invoices and 3 KCI invoices was selected for audit testing. Each invoice was reviewed for mathematical accuracy and the pay rates were compared to the agreed-upon amounts to ensure the invoices are in compliance with the County's agreements. The Audit Team performed calculations, cross-checked per-unit costs, and verified hourly pay rates to ensure the County was billed accurately. The invoices were reviewed to determine whether or not proper signatures and approvals were completed prior to payment. The Audit Team reviewed invoices that the sub-contractors sent to Prince and KCI to ensure the sub-contractor costs match what the County was billed for. The Audit Team reviewed Project invoices for overall accuracy, including:

- Re-performing mathematical calculations to ensure dollar amounts were correct.
- Matching the quantities billed to supporting inspection reports for accuracy.
- Matching invoiced per-unit costs and hourly labor rates to the amounts shown in the County's agreements with Prince and KCI.
- Verifying that there were appropriate approvals before payment.
- Determining whether or not the County's payments comply with the Prompt Payment Act.

All of the KCI and Prince invoices received during the audit scope period were tested to determine Prompt Payment Act compliance. The invoice receipt dates indicating when they were received by Public Works were compared to the payment dates to determine whether or not the County was in compliance.

Results

The 3 Prince and 3 KCI invoices reviewed were accurately billed to the County. Public Works Fiscal staff performs its own review of vendor invoices, as evidenced by handwritten corrections made by Public Works staff on the invoices prior to payment. The final amounts on the invoices were mathematically accurate. The per-unit costs and hourly pay rates matched the County's agreed-upon amounts. Sub-contractor billings matched the amounts passed through to the County. Appropriate invoice approvals were found for each invoice.

Of the 19 Prince invoices reviewed for compliance with the Florida Prompt Payment Act, 17 of them were paid within the required 25-day deadline (89%). Of the 22 KCI invoices reviewed, 21 of them were paid within the required 45-day deadline (95%).

The process of paying invoices includes a final review by the County Finance Department. County Finance receives invoices from Public Works after Public Works staff and management

have reviewed and approved the invoice. County Finance then performs its final review and issues the payment to the vendor/supplier. The Audit Team obtained the related dates of the 3 invoices paid after the required deadline, as summarized in the following table:

Invoice Number	Amount	Received By Public Works	Received By County Finance	Date Paid	# of Business Days To Pay
Prince #13:	\$ 786,085.53	3/11/2016	4/13/2016	4/20/2016	28
Prince #18:	\$ 1,052,357.77	8/15/2016	9/16/2016	9/22/2016	27
KCI #3:	\$ 23,740.06	2/17/2015	4/16/2015	4/28/2015	50

RECOMMENDATION

To ensure compliance with the Florida Prompt Payment Act, Public Works management should consider implementing procedures to ensure payments to Prince and KCI are made within the required 25 and 45 business day deadlines, respectively.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

The Department has implemented procedures to monitor the flow of invoices once received by the County. An Invoice tracking process which includes setting deadlines electronically has been created that includes: 1) Date of receipt, 2) Date invoice sent to County Finance 3) Date that payment is made. Processing time is then calculated to ensure compliance with the required 20, 25 and 45 business or calendar day deadlines, based on the invoice type. This log is reviewed by Fiscal Management on a weekly basis to ensure compliance. The Fiscal Section has also added positions to support invoice processing. The Department will work with Information and Innovation Office to develop an automated tracking system.

TARGET COMPLETION DATE

Tracking process implemented 2/10/17. The automated tracking process development is to be determined. No further non-compliance have occurred.

AUDIT COMMENT 2

There is an opportunity to improve the timeliness of the FDOT reimbursement requests.

The objective was to determine whether or not progress billings for the grant agreement are sent to the FDOT on a quarterly basis or sooner, and whether or not the amounts of the billings agree with supporting documentation.

Background

The FDOT is paying for most costs of Segment A via a grant agreement with the County. The remaining costs are paid for by the County and the City of Tampa. The County pays the vendors Prince Contracting and KCI Technologies for the construction and inspection work performed each month. The County bills the FDOT and the City of Tampa for their portion of the costs through reimbursement requests. The agreement between the County and the FDOT requires that the County submit reimbursement requests to the FDOT at least quarterly, or risk losing grant funding.

Test Procedure

The Audit Team examined the reimbursement request documentation and noted the dates the reimbursement requests were submitted to the FDOT to determine whether or not the dates were at least on a quarterly basis or sooner. The Audit Team randomly selected a sample of 2 of the 7 FDOT reimbursement requests and reconciled the itemized amounts in the requests to the related Prince and/or KCI invoices.

Results

Quarterly billings would suggest that there should be one reimbursement request sent once every 91 calendar days (365 days ÷ 4 quarters ≈ 91). The following table shows the timeliness of when each reimbursement request was sent to the FDOT by the County:

Reimb Req. No.	Date Submitted (MM/DD/YYYY)	Total Amount Submitted	No. Of Days Since Previous Billing	Within 1 Quarter? (91 Days)
1	7/21/2015	\$1,244,185.92	97	No
2	11/9/2015	\$414,243.38	111	No
3	12/15/2015	\$926,309.20	36	Yes
4	2/17/2016	\$1,672,330.63	64	Yes
5	5/13/2016	\$2,080,666.56	86	Yes
6	7/22/2016	\$2,904,412.01	70	Yes
7	9/13/2016	\$2,840,877.30	53	Yes

The first invoice paid by the County that was reimbursed by FDOT had a payment date of April 15, 2015. This date was used as the starting point for determining the timeliness of the first reimbursement request in the table above. Five of the seven reimbursement requests reviewed

(71%) were billed within the required quarterly deadline. The timing of the two remaining requests was less often than quarterly. The overall average number of days between billings (total number of days divided by seven) is 74 days.

Reimbursement requests #1 and #5 were randomly selected to test the accuracy of the dollar amounts. The itemized amount listings in both requests agreed with the related Prince and KCI invoices, as well as the amounts designated to be paid by the County and City of Tampa. No exceptions were noted.

RECOMMENDATION

To ensure all available grant funding is received from the FDOT, consideration should be given to implementing a control that ensures reimbursement requests are submitted each quarter. The control may include:

- Setting deadlines with an electronic calendar reminder.
- Assigning FDOT responsibilities to a designated Public Works staff member with a backup person in the event of vacation, illness, etc.
- Documenting and monitoring submittal dates.

Once designed, the control should be formalized in a written procedure to ensure the consistency of timely reimbursement of grant expenditures.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

The Department has implemented procedures to track actions required by FDOT agreements for quarterly invoicing for grant reimbursements. An additional position was created and filled in the Fiscal Section with responsibility for documenting and monitoring submittal dates for all grants. Staff has been cross-trained to cover absences.

TARGET COMPLETION DATE

Completed 1/23/17. No further non-compliance issues have occurred.