



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 March 31, 2017**

Report # 325

April 17, 2017



Date: April 17, 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: Heidi Pinner, CIA, CISA, CRMA, CFE, 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 second quarter of fiscal year 2017. For the quarter ended March 31, 2017, the County Audit Department monitored management action for eight recommendations. All eight recommendations have been addressed and are closed. *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 second 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 April 10, 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.	Closed by Audit Team	Fire Rescue	11/1/2016		11/1/2016	3/20/2017
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		10/10/2016	1/25/2017
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		2/13/2017	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		12/19/2016	1/26/2017
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		12/19/2016	2/1/2017
319 Health Care Services - Indigent Care Eligibility	There is an opportunity to improve controls to ensure clients enrolled in the Hillsborough County Health Care Plan are eligible.	Closed by Audit Team	Health Care Services	8/26/2016		8/26/2016	4/4/2017
323 Bruce B.Downs Grant Expenditures Audit	Procedures to ensure Prompt Payment Act compliance should be implemented.	Closed by Audit Team	Public Works	2/10/2017		2/10/2017	4/10/2017
323 Bruce B.Downs Grant Expenditures Audit	Management should implement procedures to ensure timely submittal of FDOT reimbursement requests.	Closed by Audit Team	Public Works	1/23/2017		1/23/2017	4/10/2017

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

MEMO #	TITLE	PAGES
MM35	First Quarter Results – Purchasing Card Continuous Monitoring	6-9

COUNTY AUDIT DEPARTMENT
MANAGEMENT MEMORANDUM #35 (REVISED)



DATE: March 31, 2017 (Revised April 3, 2017)
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
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: Heidi Pinner, Director of County Audit, Clerk of the Circuit Court & Comptroller
SUBJECT: First Quarter (Fiscal Year 2017) Results – Purchasing Card Continuous Auditing Project
Attachment: *Detail of Transaction Testing & Analysis*

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. First quarter testing was limited to basic analysis and review of transactions and account 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 October 1, 2016 through December 31, 2016.

Overall testing result:

Total PCard spending was \$4,895,729.34 in the first quarter of FY 2017. These purchases were made by 561 unique cardholder accounts. Analytical review of the purchases and trends determined:

- Four (4) purchases were identified for items on the prohibited items list.
- Nine (9) purchases had incomplete supporting documentation.
- No purchases were made by terminated cardholders.
- The top 10 cardholder accounts made 33% of the purchases in the first quarter.
- Three purchases (over \$5000) did not have competitive quotes obtained.
- The five top vendors accounted for 23% of the quarters purchases. No exceptions were noted for the sample of purchases reviewed for these vendors.

Please see the attachment for further testing details and analysis.

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

DETAIL OF TRANSACTION TESTING & ANALYSIS

Spend by MCC

Purchases made during the first quarter of fiscal year 2017 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 first quarter of fiscal year 2017. Transactions were judgmentally sampled and reviewed for appropriate support and justification.

MCC	MCC Description	Amount Spent	# of Transactions
5815	Digital Good Media: Books, Movies, Music	\$398,765.35	196
5085	Industrial Supplies Not Elsewhere Classified	\$321,298.55	454
7399	Business Services Not Elsewhere Classified	\$258,570.19	279
5192	Books, Periodicals And Newspapers	\$258,449.82	166
7829	Motion Picture & Video Tape Production	\$164,800.73	66

Transactions were also reviewed for any unexpected or unusual MCC descriptions. Examples of the unusual or unexpected MCCs observed included Record Shops, Art Galleries and Hobby, Toy and Game Shops. The Audit Team reviewed the documentation and justifications for these transactions. 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	\$55.31	Two transactions for the purchase of wireless telephone service, which is prohibited by procurement policy. No approved exception was noted in the supporting documentation.
Professional Services not elsewhere classified	\$2,500.00	A transaction (\$2,500) 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.
Professional Services not elsewhere classified	\$299.00	A transaction (of \$299) 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.

COUNTY AUDIT DEPARTMENT
MANAGEMENT MEMORANDUM #35

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 \$1,606,163.70 or 33% of total purchases for the first quarter of fiscal year 2017. These purchases were made by cardholders within Library Services (56%), Fire Rescue (28%), Public Utilities (4%), and Management and Budget (12%). The following table details accounts and observations made during the Audit Team’s review of sample transactions. The Audit Team has notified the purchasing card administrator of the exceptions noted.

Top Ten Cardholders			
Amount Spent	Cardholder or Position Title	Cardholder Department	Comment or Result
\$398,765.35	Overdrive	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
\$255,559.84	Baker & Taylor	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
\$195,862.60	Executive Secretary	Management & Budget	One purchase did not reference the contract Name, Number and expiration date in the justification field as required.
\$164,602.73	Midwest Tape	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
\$156,334.88	Design Lab	Fire Rescue	This is a term account with no associated contract. No exceptions noted.
\$146,628.64	Logistics Manager	Fire Rescue	One transaction did not document the procurement method used in the Expense Report Justification field of Oracle iExpense as required.
\$86,687.69	Misc Account	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account for multiple vendors and no associated contracts.
\$79,770.88	Warehouse Manager	Fire Rescue	One transaction did not document the procurement method used in the Expense Report Justification field of Oracle iExpense and competitive quotes were not obtained for the purchase as required.
\$64,000.72	Executive Secretary	Fire Rescue	No exceptions were noted for the sample purchases reviewed.
\$57,950.37	Office Assistant	Public Utilities	No exceptions were noted for the sample purchases reviewed.

Six additional purchases (over \$5,000) did not document the procurement method used in the Expense Report Justification field of Oracle iExpense as required. The Audit Team determined that two of these transactions also did not have the required competitive quotes.

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 \$1,125,262.80 and accounted for 23% of the quarter’s total spending. The following table shows the total amount spent with each vendor during the quarter. Four out of the five top vendors are term accounts.

Top Five Vendors			
Amount Spent	Vendor	Purchase Details or Justification	Comment or Result
\$398,765.35	Overdrive	Library Materials	Term Account. No transaction exceptions noted.
\$255,559.84	Baker & Taylor	Library Materials	Term Account. No transaction exceptions noted.
\$164,602.73	Midwest Tape	Library Materials	Term Account. No transaction exceptions noted.
\$156,334.88	Design Lab	Uniforms per contract	Term Account. No transaction exceptions noted.
\$150,000.00	Tampa Port Authority	Funding Agreement	No exceptions were noted for the sample of purchases reviewed.

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 tested for instances where multiple transactions for a single vendor, on a single day, combined to:

- Exceed the \$10,000 single transaction limit (15 instances identified.)
- Exceed the \$5,000 quote limit (69 instances identified.)

The Audit Team reviewed the supporting documentation for each of these 84 instances and determined that they were not split to circumvent any transaction or quote limit. No exceptions were noted.

Unauthorized Users (Terminated Cardholders)

The Audit Team compared first 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.

Term Account Testing & Analysis

Purchases made by term accounts during the first quarter of fiscal year 2017 were examined for compliance with the associated contract terms. No transaction exceptions were noted. Consistent with observations reported for each quarter of FY16, there are term accounts which do not have contracts established and others with limits set well above the demonstrated purchasing need.