

PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

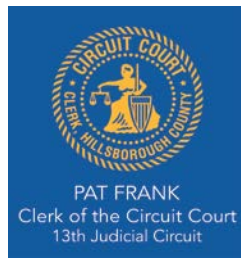
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

FISHER SCIENTIFIC CONTRACT AUDIT

REPORT # 329

MAY 26, 2017



May 26, 2017

The Honorable Stacy R. 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 Fisher Scientific Contract (Audit Report # 329, dated May 26, 2017). Responses to the Audit Team's recommendations were received from the management teams within Public Utilities and Fire Rescue 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 Utilities and Fire Rescue during this audit.

Sincerely,

Heidi Pinner, CIA, CISA, CRMA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Lucia Garsys, Chief Development & Infrastructure Administrator
Greg Horwedel, Deputy County Administrator
George Cassady, Director, Public Utilities Department
Dennis Jones, Director, Fire Rescue
Kevin Brickey, Economist, Management & Budget Office
Rick VanArsdall, Chief Deputy - Finance, Clerk of the Court & Comptroller

TABLE OF CONTENTS

EXECUTIVE SUMMARY1

 BACKGROUND INFORMATION 1

 OBJECTIVE 1

 SCOPE 1

 OVERALL EVALUATION 2

 OPINION 2

 AUDITED BY 2

AUDIT COMMENTS & RECOMMENDATIONS3

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Research laboratory and safety supplies/equipment are purchased by various departments within the County utilizing the State of Florida Alternate Contract Source (ACS) No. 41120000-15-ACS with Fisher Scientific Company, L.L.C.

In accordance with County Procurement Policy, departments utilizing the ACS are required to determine that the purchases are “fair and reasonable; in the County's best interest; and the correct percentage discount (as defined in the contract) is applied”. Departments can purchase from the Fisher Scientific ACS via purchase orders or by purchasing card (p-card). For purchases made by purchase order, the County has a Contract Purchase Agreement (CPA) in place.

The ACS pricing structure includes a negotiated discount off the current year's list price as well as a "Hot List" of additional discounts offered annually. The current ACS is effective from April 1, 2015 to February 12, 2020.

OBJECTIVE

The objective of the audit was to determine whether or not management controls are in place to ensure compliance with the pricing terms of the Fisher Scientific Agreement.

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 Team analyzed purchasing data for all purchases against the ACS and limited the audit to the two departments with the highest dollar amount of utilization. The Public Utilities Department and the Fire Rescue Department were identified as the top users for the audit scope period of April 1, 2015 through November 1, 2016.

OVERALL EVALUATION

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Opportunities exist for the Fire Rescue Department to enhance the monitoring and price verification for purchases associated with the Fisher Scientific ACS.	3
2	Opportunities exist for Public Utilities management to enhance the monitoring and price verification of purchases associated with the Fisher Scientific ACS.	5

OPINION

The control environment relative to the monitoring of the Fisher Scientific ACS Agreement is at a formal (defined) maturity level. Management has developed processes and controls which provide a level of assurance that purchases are appropriate and in compliance with the terms of the Agreement. Addressing the opportunities identified throughout this Report will enhance the overall control structure and provide additional assurance and monitoring of compliance with the pricing terms for purchases made against the Fisher Scientific Agreement.

The exit conference was held on April 17, 2017.

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

AUDITED BY

Steve Hooper, Director of County Audit (Retired)
Heidi Pinner, CIA, CFE, CISA, CRMA, Director of County Audit
Richelle Anderson, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Opportunities exist for the Fire Rescue Department to enhance the monitoring and price verification for purchases associated with the Fisher Scientific ACS.

The objective was to determine whether or not Fire Rescue has controls in place to ensure that purchases from Fisher Scientific are adequately monitored and in compliance with the pricing terms of the ACS.

Fire Rescue makes purchases from the ACS using purchase orders and p-cards. Paid invoices are associated with each transaction. For the audit scope period, Fire Rescue purchases totaled \$579,626.04. This included one purchase order transaction with 3 associated invoices totaling \$75,832.10 and 39 p-card purchases with 267 invoices totaling \$503,793.94.

The Audit Team tested all the invoices associated with the purchase order and selected a sample of 55 invoices associated with the p-card transactions. The sample of p-card invoices totaled \$364,236.26 or 72% of the total p-card purchases. The invoices were reviewed to determine if they:

- Were appropriately approved.
- Contained adequate supporting documentation.
- Adhered to the pricing terms of the ACS.
- Were paid timely, in compliance with the Florida Prompt Payment Act.

Testing Results

Purchase Orders: All three invoices associated with the purchase order transaction:

- Were appropriately approved.
- Adhered to the pricing terms of the Agreement and were calculated accurately.
- Were paid timely.

P-Card Purchases: Per p-card policies and procedures, purchases made from a State of Florida Term Contract must: (1) List in the Justification field of an Expense Report the Contract name, the assigned contract number, and the expiration date and (2) contain supporting documentation (i.e. quotes) that reference the State of Florida Contract Number. In addition, all invoices or receipts are required to be approved with the cardholder's signature and employee ID number. For the 55 p-card purchases tested:

- All purchases contained an invoice/receipt with the cardholder's signature, employee identification number and appropriate approvals.

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- Twenty-eight purchases (51%) had supporting documentation which referenced the Fisher Scientific Agreement. The remaining 27 purchases did not note the Agreement as required.
 - Six of the purchases (11%) had the required contract information listed on the expense report. The remaining 49 purchases did not include this information.
 - Twenty-nine purchases (53%) had pricing which agreed to the ACS terms and were calculated accurately. For the remaining 26 purchases, it could not be determined if the appropriate discount rate was applied to the purchase. The supporting documentation for these purchases did not include the list price or reference the discount rate.
 - Fifty (91%) of the purchases were paid timely. The remaining five p-card purchases were for outstanding invoices. Outstanding invoices are invoices dated for 90 days or greater prior to payment and are prohibited by p-card policy.

RECOMMENDATION

To enhance the monitoring controls and ensure compliance with the terms of the Fisher Scientific ACS, Fire Rescue's management should consider:

- Obtaining price lists directly from the Fisher Scientific catalog/online price list for all applicable items associated with the Agreement.
- Continuing to closely monitor and verify the pricing for all purchases associated with the Agreement; ensuring that the appropriate pricing and additional discounts are realized.

CLIENT RESPONSE: *Concur*

CORRECTIVE ACTION PLAN

Currently, Hillsborough County Fire Rescue is obtaining price lists directly from Fisher Scientific for all applicable items associated with the Agreement prior to purchasing.

All invoices will include the supporting documentation for these purchases and will include the list price or reference the discount rate as well as the assigned contract number.

All Expense Reports will List in the Justification field the Contract name, the assigned contract number, and the expiration date and will contain all supporting documentation that reference the State of Florida Contract Number.

TARGET COMPLETION DATE: *June 30, 2017.*

A procedure has been developed and is currently in the process of implementation.

AUDIT COMMENT 2**Opportunities exist for Public Utilities management to enhance the monitoring and price verification of purchases associated with the Fisher Scientific ACS.**

The objective was to determine whether or not Public Utilities has controls in place to ensure that purchases from Fisher Scientific are adequately monitored and in compliance with the pricing terms of the ACS.

Public Utilities makes purchases from the ACS via purchase order and p-card. Each purchase has a paid invoice(s) associated with it. Public Utilities made purchases totaling \$454,510.08 against the ACS during the scope period. These purchases included 74 purchase orders and 439 p-card purchases.

The Audit Team selected a random sample of 60 invoices associated with purchase orders and 60 p-card purchases for testing. The selected purchases were reviewed to determine if they:

- Were appropriately approved.
- Contained adequate supporting documentation.
- Adhered to the pricing terms of the ACS.
- Were paid timely.

Testing Results

Purchase Orders: For the 60 invoices selected from the ACS purchase orders, the Audit Team determined that:

- All of the purchases were appropriately approved.
- It could not be determined if the correct discount rate(s) were applied to the purchases or if the invoice(s) total was calculated accurately. The Public Utilities Department utilizes a unique log-in to the Fisher site for purchases. This site includes pre-discounted prices and does not indicate item list prices or reference the actual discount applied.
- All invoices were paid timely, in compliance with the Florida Prompt Payment Act.

P-Card Purchases: Per p-card policies and procedures, purchases made from a State of Florida Term Contract must: (1) List in the Justification field of an Expense Report the Contract name, the assigned contract number and the expiration date, and (2) contain supporting documentation (i.e. quotes) that reference the State of Florida Contract Number. In addition, all invoices or receipts are required to be approved with the cardholder's signature and employee ID number.

Four of the sixty p-card purchases selected for testing were not purchases but credits received from the vendor and were therefore excluded from testing. This resulted in a final sample of 56 purchases. For the 56 purchases reviewed, the Audit Team determined that:

- Fifty-six purchases (100%) contained an invoice or receipt with the cardholder's signature and employee identification number as required.
- Twenty-three of the purchases (41%) included the contract information in the expense report as required. The remaining 33 purchases did not include this information.
- The supporting documentation for all 56 purchases did not include a reference to the ACS as required. Many of the invoices/receipts did reference a specific account number which the vendor has linked to the ACS.
- It could not be determined if the correct discount rate(s) was applied to the purchases or if the invoice(s) total was calculated accurately. An online account was used for the quotes and purchases. This account is set up to reflect the pre-discounted rate for items purchased and does not include the list price or reference the discount rate.
- Fifty-one purchases (91%) were for current invoices. The remaining 5 invoices were dated for 90 days or greater prior to payment. These purchases are considered outstanding invoices and are prohibited by p-card policy.

RECOMMENDATION

To enhance the monitoring controls and ensure compliance with the terms of the Fisher Scientific ACS, Public Utilities' management should consider:

- Obtaining price lists directly from the Fisher Scientific catalog/annual price list website for all applicable items associated with the Agreement.
- Continuing to closely monitor and verify the pricing for all purchases associated with the Agreement; ensuring that the appropriate pricing and additional discounts are realized.

CLIENT RESPONSE: *Concur*

CORRECTIVE ACTION PLAN

In process of working with Fisher Scientific to obtain catalog price list and to have all quotes show catalog price, contract discount, and net price for each item purchased.

TARGET COMPLETION DATE: *June 30, 2017*