

COUNTY AUDIT DEPARTMENT

REPORT # 339

An Audit of:

**TAMPA BAY HISTORY CENTER CAPITAL ASSET
PRESERVATION AGREEMENT**

DECEMBER 11, 2017



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



December 11, 2017

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

Dear Chairman Murman and Commissioners:

The Audit Team performed an audit of the Tampa Bay History Center Capital Asset Preservation Agreement (Audit Report # 339, dated December 11, 2017). Responses to the Audit Team's recommendations were received from the Director of Management and Budget 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 the Management and Budget Office, Real Estate and Facilities Services (REFS) and Public Works during this audit.

Sincerely,

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



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CC: Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator
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Tom Fesler, Director, Management and Budget Office
Josh Bellotti, Director, Real Estate & Facilities Services
John Lyons, Director, Public Works
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Rick VanArsdall, Chief Deputy, Clerk to the Board
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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Hillsborough County Board of County Commissioners adopted Board Policy 03.02.02.29 on October 21, 2015 which implemented the Capital Asset Preservation Matching Grant Program. This program provides annual funding awards to benefit local tourism and entertainment venues within the County. There are seven (7) specific eligible organizations listed in the Board Policy, and they have an option to share their awards with the other eligible organizations.

Each of these organizations may receive County funding of up to \$325,000 in each fiscal year for the purpose of maintaining their facilities. Eligible projects include repair, rehabilitation, restoration, compatible additions, and energy efficiency. The organizations must apply for funding through the County Management and Budget Office and must comply with Board Policy 03.02.02.29 requirements including providing matching funds equal to the amount provided by the grant. On February 17, 2016, the Board approved agreements for five (5) of these venues to receive funding in the amount of \$325,000 each, including the Tampa Bay History Center (History Center).

OBJECTIVE

The objective of the audit was to determine whether or not controls are in place to ensure that the History Center is in compliance with the terms and conditions of its Capital Asset Preservation Agreement (the "Agreement") with the County.

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 period covered:

- The first year of the County's written Agreement with the History Center (initiated on February 17, 2016).
- A total of six invoices paid for the first year of the grant and the related controls.
- Project improvements performed and related support from April 27, 2016 through February 28, 2017.

OVERALL EVALUATION

The employees from the Management and Budget Office, Real Estate and Facilities Services and Public Works were responsive to the Audit Team's inquiries and provided the information requested in a timely and polite manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

The following table summarizes the audit comments and corresponding cross references to the page number where the audit comment details can be found in this Report.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	There is an opportunity to improve controls over compliance with Board Policy and the Agreement.	3
2	An opportunity exists to strengthen the controls surrounding the monitoring process of grant matching funds to ensure compliance with the Agreement.	8

OPINION

The overall control environment relative to the management of the Agreement is at a repeatable maturity level. This means that management has developed processes and controls with some policy structure, which ensures that the History Center's performance and billings are mostly in compliance with the terms of the Agreement. Some invoice exceptions were noted and an opportunity was identified to strengthen the monitoring controls over the agency matching grant amount required by the Agreement. Addressing the opportunities identified in this Report will enhance the control structure over compliance with the Agreement requirements and grant invoicing processes.

The exit conference was held on November 14, 2017.

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

AUDITED BY

Heidi Pinner, CIA, CFE, CISA, CRMA, Director of County Audit
 Ben Everett, CPA, CIA, CFE, Audit Manager
 Greg McCullough, CPA, CIA, CFE, Senior Internal Auditor
 Raul Cardona, CIA, CISA, CAMS, Senior Internal Auditor

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

There is an opportunity to improve controls over compliance with Board Policy and the Agreement.

The objective was to determine whether or not project improvements were appropriately approved, supported and performed in compliance with Board Policy 03.02.02.29 and the Agreement with the History Center.

The Audit Team reviewed the process carried out by County personnel to ensure compliance with the Board Policy and the Agreement. Based on this review, the Audit Team identified several areas for testing. These areas included award sharing, the grant application, compliance of payment requests to the Agreement and Board Policy, and on-site testing.

Award Sharing

Board Policy # 03.02.02.29 has a paragraph titled “Award Sharing.” This paragraph states: “Participating agencies may share their annual award amount with another participating agency. Such sharing arrangements shall be documented by formal Agreement between the two agencies and submitted to the County’s Management and Budget Department.” The Audit Team inquired of management whether any award sharing took place with the History Center and identified the process used by the Management and Budget Department to ensure compliance with Board Policy regarding award sharing.

Results of Testing

No formal agreement of award sharing between the two agencies was received or reviewed by the County. Instead, a letter from the Glazer Children’s Museum addressed to the Board of County Commissioners was sent to the Management and Budget Department for review stating the intent to share their grant award with the History Center. This was intended to occur during the second year of the County’s Agreement with the History Center, after the six invoices that were paid for the first year. An inquiry with an employee at the History Center indicated that the letter from the Glazer Children’s Museum represents the formal agreement.

Grant Application Testing

The Audit Team obtained the grant application with all supporting documentation related to the Agreement. The Audit Team reviewed the application and supporting documents to determine whether or not the application was appropriately approved and supported in compliance with Board Policy 03.02.02.29.

Results of Testing

The grant application was appropriately reviewed by the Capital Asset Preservation Matching Grant Program Committee (Committee) and submitted to the Board for approval. The Board approved the grantee's application as stated in the Agreement dated February 17, 2016 and the application was appropriately supported. The Audit Team also identified opportunities where compliance with the Board Policy could be improved:

1. The Board Policy states that the participating agency must provide an audit of their financial statements for the year most recently ended. The Committee obtained the agency's audited financial statements for the current year most recently ended as required, but the date of the audit report was February 17, 2016. This is the same date the Agreement was approved by the Board. The Committee could not have had the agency's audited financial statements for the year most recently ended, at the time of application review. However, the committee did have one of the agency's internal financial statements as well as the prior year's audited financial statements.
2. The Board Policy indicates in the Application Requirements section, Part B, that a description of construction related activities to be carried out as part of the project should be provided. The application reasonably provided the required information for a majority of the project budget line items. Not all sub-project line items had descriptions and photographs included. The application should include work descriptions and photographs for all sub-projects included in the total project budget, including matching expenditure line items.

Compliance Testing of Payment Requests

The Audit Team reviewed the Agreement and the six Payment Requests from the History Center. The Audit Team identified 8 attributes for testing compliance with the Agreement and Board policy. These attributes included whether or not:

1. Funds were used for projects listed in the Agreement.
2. The maximum amount of funds awarded by the County was \$325,000.
3. Funds were not used for "non-capital" construction costs.
4. Funds were not used for food, beverages and entertainment.
5. The Description of Reimbursable Eligible Improvement/Scope of Work was included in the Agreement. Also, if the Real Estate and Facilities Services inspector approval date and signature was indicated on the pay request.
6. The Expenditure Report/Request for Payment form together with the breakdown of work (Exhibit C of the Agreement) included the final certification form and records (photographs) of improvements as supporting documentation.
7. The Project Performance Report (Exhibit D of the Agreement) was provided with the Pay Request.
8. The Equal Opportunity Employer forms were completed by the grantee as part of the Agreement.

Results of Testing

Some of the attributes could only be tested for five of the six payment requests because one request did not have supporting documents included for several line items submitted as matching expenditures.

1. Funds were used for projects listed in the Agreement for all five pay requests tested.
2. The maximum fund awarded by the County was \$325,000.
3. Funds were not used for non-capital construction costs for the five pay requests tested.
4. Funds were not used for food, beverages or entertainment costs for the five pay requests tested.
5. The description of Reimbursable Eligible Improvement/Scope of Work was included in the Agreement. Also, the REFS inspector review date and signature were indicated on all pay requests.
6. Four of the six pay requests had the required Exhibit C pages and included the appropriate supporting documentation. Two of six pay requests were missing some supporting documents. One pay request did not have photographs for all applicable line items. The other pay request did not contain a) the supporting copies of invoices and checks for five line items submitted as matching expenditures and b) the Lien releases for completed projects. Management stated that lien releases, although stated in the Agreement, were not applicable to the types of sub projects included in the scope of work for this Agreement.
7. The Project Performance report (Exhibit D) was included for all six pay requests.
8. The Equal Opportunity Employer forms were completed by the grantee as part of the Agreement.

On-site Testing

The Audit Team also performed testing on-site at the History Center. This testing included:

- A general walk through to observe a sample of improvement projects completed.
- Tracing a sample of 15 of the agency's check and credit card charges to the bank and credit card statements.

Results of Testing

- A sample of improvement projects for the Agreement was observed at the agency site and were consistent with the Agreement.
- All 15 check payments and credit card charges were traced to bank statements or credit card statements with no exceptions.

RECOMMENDATIONS

To ensure compliance with Board Policy and the Agreement, Management and Budget should consider:

1. Receiving and reviewing a formal agreement between the two agencies sharing the grant award instead of an agency letter. If management finds that the agency letter is sufficient, the Board Policy should be amended to indicate that an agency letter is acceptable.
2. Reviewing the requirement for audited financial statements in relation to the timing of the application review cycle and determine whether the intent is to obtain the agencies most recent audit or the most recent financial information. Based on this determination, consideration should be given to updating the Board policy for this practice.
3. Requiring the agency applicant to include photographs and work descriptions for all sub-project line items listed in the Project Budget for the application, including matching expenditure line items.
4. Obtaining and retaining with the pay request the necessary supporting documents for funded and match expenditure line items before processing.
5. Clarifying the Agreement language in the next Agreement for the circumstances when lien release documents are required for projects and when they are not.

CLIENT RESPONSE

Concur.

CORRECTIVE ACTION PLAN***Recommendation One***

The intent of the requirement in the Award Sharing section of the Board's policy was to receive documentation clearly demonstrating that each organization was in agreement to a sharing arrangement in a given year. A revision to the Board policy will be proposed removing the words "formal agreement."

Recommendation Two

The audited financial statements reviewed at the time of the award decision were the most recent available. A revision to the Board policy will be proposed clarifying which audited financial statements are to be submitted for review.

Recommendation Three

Future grant agreements will be revised to require the grantee to include appropriate documentation demonstrating completion of project tasks, including matching expenditure line items. This will be simplified if each task is allocated a 50-50 split for grant and match expenditures.

Recommendation Four

Future grant agreements will be revised to require grantee to submit supporting documentation for both grant funded and match expenditure line items before processing. This will be simplified if each task is allocated a 50-50 split for grant and match expenditures.

Recommendation Five

Future grant agreements will be revised to require lien release documents as appropriate.

TARGET COMPLETION DATE

The Board Policy will be presented to the Board for revision before the end of March 2018. Corrective actions related to changing contract language will be implemented as new award agreements are presented to the Board for approval.

AUDIT COMMENT 2**An opportunity exists to strengthen the controls surrounding the monitoring process of grant matching funds to ensure compliance with the Agreement.**

The objective was to determine whether or not there are controls in place to ensure that invoice payments for the History Center are processed in compliance with the Tampa Bay History Center Agreement and Board Policy 03.02.02.29.

In March 2016, purchase order # 216206961 was approved for the History Center with an assigned budget of \$325,000 for improvement and renovations projects. A grant matching amount of \$325,000 (for a total expenditure amount of \$650,000) is required by the agency as part of the grant program requirements. The Public Works Department reviews the supporting documentation for every payment request submitted by the History Center to ensure that every improvement project is in compliance with grant program specifications and requirements before payment approval.

The Audit Team selected the full population of six (6) invoices for the audit scope totaling \$325,000 and examined the associated purchase order, supporting documentation, management approvals, Oracle receipts and processed payments to ensure that they were:

- Properly supported in compliance with the Agreement.
- Appropriately authorized.
- Paid in a timely manner.
- Processed accurately.

Results of Testing

- The invoice details of improvement projects performed matched the information included in the purchase order as well as the requirement details in the Agreement.
- The receipt for all six (6) invoices was properly and timely created in the Oracle system.
- Final payment information (checks) matched with related supporting documentation for all invoices.
- All invoice payments were processed within 45 days of the invoice received date.

The Audit Team also computed the total amount of payments made by the History Center to its contractors. This total was compared to the \$325,000 amount reimbursed by the County to verify that the History Center provided a match for the grant amount.

Total amount reimbursed to the History Center as of 2/28/2017	\$ 325,000.00
History Center required matching amount based on grant Agreement	\$ 325,000.00
Total grant matching amount incurred by History Center as of 8/29/2017	\$ 301,289.26
Remaining balance to complete total grant matching requirement	\$ 23,710.74
History Center transactions pending as of 8/16/2017	\$ 23,925.00

As indicated in the table above, the History Center had, as of the audit review date, a remaining balance of \$23,710.74 (7.2%) of the total required match. Per the Agreement, the History Center has until February 2018 to incur the remaining balance due to fulfill the total matching grant amount of \$325,000.

The County does not have a formal procedure in place to track and monitor the grantee's matching amount as required by the Agreement. Given the current control structure, it is possible that grantees not fulfilling their required matching amount may go undetected.

RECOMMENDATION

To ensure compliance with the Tampa Bay History Center Agreement and Board Policy 03.02.02.29, the Management and Budget Office should consider implementing a formal procedure to ensure that grantees' matching amounts are properly monitored and that agencies under the grant program incur the grant matching amount required.

CLIENT RESPONSE

Concur.

CORRECTIVE ACTION PLAN

The grant application procedures and the agreements will be amended to facilitate increased monitoring of match work and associated expenditures in the future. For example, all project tasks would require a 50-50 split in the grant/match amount. This will simplify monitoring of each task and will require one set of documentation for each task.

TARGET COMPLETION DATE

Grant application procedures and changes in new agreements will be made as new award agreements are presented to the Board for approval in the next grant cycle.