

COUNTY AUDIT DEPARTMENT

REPORT # 340

An Audit of:

BUDGETED ONE-TIME UNALLOCATED FUNDS

December 14, 2017



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



December 14, 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 Budgeted One-Time Unallocated Funds (Audit Report # 340, dated December 14, 2017). Responses to the Audit Team's recommendations were received from the Director of Management & 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 Management & Budget during this audit.

Sincerely,

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

CC: Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator
Tom Fesler, Director, Management & Budget Office
Kevin Brickey, Management & Budget Office
Rick VanArsdall, Chief Deputy, Finance, Clerk to the Board
Tim Simon, Deputy Comptroller

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Each year the County publishes a budget document with valuable information that is publicly available online. On September 15, 2016, the Board of County Commissioners (BOCC) adopted the Fiscal Year (FY) 2017 budget, totaling \$4.936 billion. The budget contains detailed line items for various County programs and departments, funds provided by the County to support outside organizations such as not-for-profits, funds held in reserve accounts, and allotments not assigned to a specific department.

Most budgeted funds are for planned expenditures and/or restricted for a specific use. However, there are also budget line items intended to cover unanticipated costs or needs. For example, there are several budget line-items labeled “Reserve for Contingency.” These funds must be expended subject to the rules set forth in Board Policy 03.02.05.00, which requires that drawdowns be approved by a supermajority vote of the BOCC.

The Adopted Budget also has several line items with dollar amounts labeled as “One Time Unallocated Funds” (Unallocated Funds). These are line items included as part of the non-departmental and not-for-profit allotments which may be spent at the discretion of the County Administrator or management. These expenditures are subject to procurement approval thresholds. On May 21, 2014, the BOCC increased the County Administrator's procurement authority from \$100,000 to \$250,000 per transaction, which would apply to the expenditure of Unallocated Funds. In FY 2017, the total amount of Unallocated Funds budgeted was \$820,000 and the amount spent was \$280,328.17, summarized in the following table:

Supplier Category	Amount	Description
Construction Engineering & Consulting	\$49,500.15	Lettuce Lake Park Sinkhole Remediation
Office Equipment	\$16,557.20	Printer & Office Chairs
Legal Services	\$12,350.00	Wage Recovery Services For Citizens
Bond Agency	\$6,446.16	Elected Official Surety Bonds
Government Consulting Services	\$32,922.57	Consulting Fees & Travel Expenses
Fitness Equipment	\$11,896.95	Fitness Equipment & Install - Aging Services
Tampa Bay Area Regional Transportation	\$149,655.14	Transportation Planning Funding
University Area Community Dev. Corp.	\$1,000.00	Public Event Sponsorship
	<u>\$280,328.17</u>	

OBJECTIVE

The objective of the audit was to determine whether or not adequate controls are in place to ensure that unallocated funds included in the County’s Adopted Budget are appropriately administered and disbursed.

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 reviewed the budgeting process for Unallocated Funds in FY 2017 and the related controls to ensure these funds are spent in an appropriate manner. The audit period covered expenditures using unallocated funds for a portion of FY 2017 from October 1, 2016 to July 6, 2017 for a total of \$187,850.84.

OVERALL EVALUATION

The employees from the Management and Budget Office 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.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Opportunities exist to improve controls over the process for utilizing Unallocated Funds.	3

OPINION

The overall control environment relative to the management of the Unallocated Funds is at a repeatable maturity level. This means that management has developed processes and controls with some policy structure, which ensures that the Unallocated Funds’ billings are mostly in compliance. Some invoice exceptions were noted and an opportunity was identified to strengthen the controls over the process for utilizing Unallocated Funds. Addressing the opportunities identified in this Report will enhance the control structure over compliance with the Unallocated Funds invoicing process.

The exit conference was held on December 6, 2017.

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

AUDITED BY

Heidi Pinner, CIA, CISA, CFE, CRMA, Director of County Audit
 Ben Everett, CPA, CIA, CFE, Audit Manager
 Terrell Alston, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Opportunities exist to improve controls over the process for utilizing Unallocated Funds.

The objective was to determine whether or not adequate controls are in place for Unallocated Funds and whether the funds are being used appropriately.

Per management, Unallocated Funds are utilized for unanticipated needs which are identified by either the County Administrator or a department and are not within the normal budget for a department. The cost centers used for Unallocated Funds are 165023 (used for Countywide Allotments) and 166602 (used for Countywide Non Profit allotments). These Cost Centers are setup in Oracle to automatically require an electronic approval before a department can use one of them to record an expenditure of unallocated funds. Per management, the Management and Budget Office should approve all Unallocated Funds transactions in Oracle.

The Audit Team selected a judgmental sample of 14 of the 34 unallocated funds transactions during the scope period and reviewed the supporting documentation, purchase orders, invoices, management approvals and Oracle to ensure that they were:

- Properly approved by the Management and Budget Office.
- Appropriately supported with documentation for the expenditure.
- Under the \$250,000 authorization limit.
- Properly using the Cost Center for the unallocated funds (165023 or 166602).
- Appropriately used for the purpose of County business.
- Appeared to be an unanticipated expenditure.

Testing Results

- 10 of the 14 transactions tested were approved (71%) by Management and Budget. The four remaining transactions tested (29%) were approved by a different department than Management & Budget. There are actually four approvers in the Oracle approval path for Cost Center 165023 and not just the Management and Budget Department. Only Management and Budget should be in the approval path.
- Services and goods provided were within the guidelines expressed in the supporting documentation and purchase orders. Services and goods provided had appropriate supporting documentation.

- No transactions in FY 2017 exceeded the \$250,000 authorization amount for the County Administrator.
- Each transaction was recorded to an accounting string with the cost center 165023 (Countywide Allotments). No transactions were recorded to Cost Center 166602 (Countywide Non Profit allotments).
- All requests/transactions tested appeared to be appropriate for County business.
- Each transaction was reviewed to ensure that it was an unanticipated expenditure. Ten of the 14 transactions tested were unanticipated expenditures (72%). Three remaining transactions (21%) were for surety bonds which are required expenditures for elected officials every 4 years and one (7%) was for a monthly consulting fee. Management has already taken corrective action to budget the consulting fee in a regular budget line-item called Strategic Planning.

RECOMMENDATION

To improve the controls for processing Budgeted One-Time Unallocated Funds, management should consider:

- Reviewing and updating both Cost Centers (165023 and 166602) to ensure only the desired approvers in Management and Budget are setup in the Oracle approval path.
- Making surety bonds for elected officials and any other recurring transactions a regularly budgeted item.
- Moving Unallocated Funds to the applicable department's budget when transactions are recurring, making the expenditure from the department's budget and ensuring future Unallocated Funds' budgets are not impacted by these expenditures.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

Approvers for cost centers 165023 and 166602 will be reviewed and updates made to assure final approvals come from the Management and Budget Department.

The annual budget process will be used as a tool to identify recurring expenditures requiring annual appropriation. While all attempts will be made to properly identify these expenditures, there will likely still be some instances where oversights occur, and the unallocated appropriations will continue to serve as a last resort option to fund identified needs.

TARGET COMPLETION DATE

The recommendation to update approvers will be completed before the end of January 2018. The recommendation to annually budget for recurring expenditures will be implemented as future budget processes occur.