COUNTY AUDIT DEPARTMENT

REPORT # 355

Quarterly Status Report of Audit Recommendations and Board of County Commissioners' Management Corrective Action Plans

Quarter Ending September 30, 2018

NOVEMBER 30, 2018

Pat Frank   INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA

November 30, 2018

The Honorable Lesley "Les" Miller, Jr., Chairman
The Honorable Ken Hagan
The Honorable Pat Kemp
The Honorable Sandra L. Murman
The Honorable Kimberly Overman
The Honorable Mariella Smith
The Honorable Stacy R. White

Dear Chairman Miller 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 fourth quarter of fiscal year 2018. Addressing open recommendations will enhance the Board of County Commissioners' overall operations and mitigate risks to the organization. For the quarter ended September 30, 2018, the County Audit Department monitored management action for eleven (11) recommendations. Three of the eleven have been implemented and tracking has been closed. The remaining eight will carry forward to the first quarter of fiscal year 2019. *See Attachment 1*

The audit recommendations included in this follow-up were issued via Audit Reports and presented to you for the routine audits conducted throughout the year. In addition to routine audits, the County Audit Department also performs 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, we have also attached a copy of the Management Memorandum issued to the County Administrator and staff during the fourth quarter of fiscal year 2018.
See Attachment 2

I appreciate this opportunity to be of service to the Board of County Commissioners. I am happy to address any questions that you may have concerning the attached report and to furnish you with any additional information desired.

Sincerely,

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

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Lucia Garsys, Chief Development & Infrastructure Services Administrator
Bonnie Wise, Chief Financial Administrator
Carl Harness, Chief Human Services Administrator
Ramin Kouzehkanani, Chief Information and Innovation Officer
Mary Mainland, Medical Examiner
Adam Gormly, Director of Development Services
Tom Fesler, Director of Management & Budget
Kevin Brickey, Economist, Management & Budget
Peggy Caskey, County Internal Auditor
Pat Frank, Clerk of Court & Comptroller
Dan Klein, Chief of Staff
Rick Van Arsdall, Chief Deputy, Clerk to the Board

STATUS OF AUDIT RECOMMENDATIONS as of September 30, 2018

Report # | Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Revised Implementation Date	Actual Implementation Date	Recommendation Close Date
339 | Tampa Bay History Center Agreement	There is an opportunity to improve controls over compliance with Board Policy and the Agreement.	Closed	Management & Budget	06/30/2018	10/31/2018	10/17/2018	10/31/2018
339 | Tampa Bay History Center Agreement	An opportunity exists to strengthen the controls surrounding the monitoring process of grant matching funds to ensure compliance with the Agreement.	Closed	Management & Budget	03/31/2018	10/31/2018	10/17/2018	10/31/2018
343 | Software Licensing Management	Management should consider implementing a comprehensive and consolidated control structure for the acquisition, tracking and management of all County applications.	Pending	Information & Innovation	09/30/2019			
343 | Software Licensing Management	The Information & Innovation Office should consider enhancing the controls over the enterprise-wide true-up process and administrative user accounts in the Liaison Group.	Pending	Information & Innovation	01/31/2019			
345 | Medical Examiner - DAVID Audit	Opportunities exist to improve controls over DAVID system access in order to ensure compliance with MOU requirements: 1) Ensure that quarterly reviews and annual audits are completed in a timely manner; 2) Ensure the deactivation of DAVID access within the five day window after employee separation.	Past Due	Medical Examiner	07/01/2018			
350 | Development Services Mobility Fees Control Environment	Management should consider separating the duties of the Impact Fee Coordinator	Started	Development Services	11/15/2018			
350 | Development Services Mobility Fees Control Environment	Develop and implement a more proactive control or monitoring activity to prevent and/or detect future occurrences of duplicate payments.	Started	Development Services	11/15/2018			
350 | Development Services Mobility Fees Control Environment	Since prior year revenues cannot be moved via journal entry, work with Management & Budget to confirm the process and viability to move the mobility fees incorrectly assessed and collected on the 14 permits identified to the correct impact fee revenue fund via the Reserves.	Started - Past Due	Development Services	09/30/2018			
350 | Development Services Mobility Fees Control Environment	Ensure that copies of written approval letters are maintained and on file for the grand fathered transportation impact fees.	Started	Development Services	12/31/2018			
350 | Development Services Mobility Fees Control Environment	Since prior year revenues cannot be moved via journal entry, work with Management & Budget, for the permit identified during the audit, to confirm the process and viability to move the paid mobility fee assessed against the incorrect benefit district to the correct benefit district via the Reserves.	Started - Past Due	Development Services	09/30/2018			
353 | Library Books and Material Procurement	Library Services' management should ensure that invoices are approved by the same employee who initials the invoices as "OK" to pay. If approval is delegated, the invoices should clearly indicate the delegation. At no time should one individual sign for or indicate the approval of another party	Closed	Library Services	09/30/2018		08/23/2018	11/02/2018

DATE: September 14, 2018

TO: Scott Stromer, 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
Tim Simon, Deputy Comptroller, Clerk of Court & Comptroller

FROM: Heidi Pinner, Director of County Audit, Clerk of Court & Comptroller

SUBJECT: Management Memorandum #MM53 – PCard Continuous Auditing – FY18 Third Quarter

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. The program 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. Third quarter testing included the basic analysis and review of transactions and account usages as well as an analysis related to the use of PCards for weekend purchases. All concerns and exceptions were referred to the PCard administrator for follow-up and corrective action.

Scope: PCard transactions made from April 1, 2018 through June 30, 2018, excluding transactions made by Library Services. (*Library Books and Materials Procurement Audit Report #353* was distributed on August 22, 2018, which included testing of Library PCard transactions.)

Overall Testing Result:

Total PCard spending was $4,817,988.42 for the third quarter of FY 2018; however, Library Services is exempt from normal competitive procurement requirements for books and materials and their transactions were excluded from testing. PCard spending for all other departments was $3,951,142.98. Analytical review of the purchases and trends identified:

- No instances of inappropriate weekend or big box retail purchases.
- One purchase that appeared to be split into three separate invoices/charges to circumvent bid process.
- Four purchases that used a payment service in an individual's name that did not match the invoice.
- Two transactions that did not have tax deducted prior to being paid.
- One transaction for a food purchase without approval.
- One instance of purchase that did not have sensitive information redacted.
- Two transactions that did not have the justification field properly filled out in Oracle.
- Three transactions that were paid more than three months from the invoice date.

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

Merchant Category Code Analysis

Purchases made during the third quarter of fiscal year 2018 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 third quarter of fiscal year 2018. Transactions were judgmentally sampled and reviewed for appropriate support and justification.

MCC	MCC Description	Amount Spent	# of Transactions
5085	INDUSTRIAL SUPPLIES NOT ELSEWHERE CLASSIFI (Examples include repair parts, tools, & maintenance.)	$251,773.91	316
7399	BUSINESS SERVICES NOT ELSEWHERE CLASSIFIED (Examples include uniforms, installation of new irrigation systems & maintenance including pressure washing and paint prepping.)	$217,030.88	276
5942	BOOK STORES (Examples include Amazon purchases for operating supplies, specialty equipment & computer equipment.)	$187,804.61	932
5047	LAB/MEDICAL/DENTAL/OPHTHALMIC HOSPITAL (Examples include Medifusion pump, Sodium CL, & Frequency Generator.)	$184,983.28	215
1799	SPECIAL TRADE CONTRACTORS (Examples include repairing existing equipment & installation of fences.)	$139,644.30	107

Transactions were also reviewed for any unexpected or unusual MCC descriptions such as Fast Food Restaurants, Video Amusement Game Supplies, and Florists. The Audit Team reviewed the documentation and justifications for a sample of these transactions and identified several exceptions. There was one (1) exception that was identified where a cardholder did not include a detailed explanation of the purchase in the justification field of Oracle, one (1) purchase that did not have tax deducted, and one (1) transaction for a food purchase that did not receive the appropriate preapproval.

Split Purchase Analysis

Purchases for the period were analyzed to determine if they 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 were combined to potentially circumvent transaction limits or competitive quote requirements. The Audit Team reviewed the supporting documentation for these purchases and identified one (1) occurrence where a cardholder performed a split transaction to circumvent the bid process for a purchase over $5,000. The split transaction occurred when one (1) transaction was split into three (3) separate orders. Additionally, three (3) other PCard transactions were identified that exceeded the requirement to pay invoices within three months of the invoice date.

Transactions Greater Than $5,000

An additional sample of transactions above or near $5,000.00 was selected and the supporting documentation was reviewed for compliance with PCard rules. No exceptions were identified for transactions circumventing the bid process. However, one (1) transaction was identified for an existing contract, which did not include the contract information in the justification field in Oracle. This information should be included on all contract purchases to ensure total spending does not exceed the approved contract total.

Cardholder Spend Analysis

The Audit Team identified the ten cardholders with the highest dollar spend for the quarter. Samples of purchases by these cardholders were selected and the supporting documentation was examined. The top ten cardholder account purchases totaled $421,498.14, or 8.7% of total purchases for the third quarter. These purchases were made by cardholders within Fire Rescue (36.6%), Public Utilities (30.3%), Public Works (11%), Information and Innovation Office (7.3%), Solid Waste (5.7%), Pet Resources (4.8%) and Real Estate & Facilities Services (4.3%). The following table details observations made during the Audit Team's review of sample transactions:

Top Ten Cardholders

Amount Spent	Title of Cardholder or Term Account	Department	Comment or Result
$109,380.00	Utilities Manager	Public Utilities	No exceptions noted.
$93,740.64	Design Lab	Fire Rescue	No exceptions noted.
$60,394.53	Management Coordinator	Fire Rescue	No exceptions noted.
$30,621.22	Senior Supervisor	Information and Innovation Office	No exceptions noted.
$27,718.36	Supervisor	Public Works	No exceptions noted.
$24,000.00	Recycling Coordinator	Solid Waste	No exceptions noted.
$20,349.18	Veterinary Services Supervisor	Pet Resources	No exceptions noted.
$18,839.52	Supervisor	Public Works	No exceptions noted.
$18,262.69	Trades/Maintenance Supervisor	Real State and Facilities Services	No exceptions noted.
$18,192.00	Manager	Public Utilities	No exceptions noted.

Payment Services in an Individual's Name

The Audit Team analyzed the transaction data for instances of PCard payments that were made to a payment service provider (such as PayPal or Square) in the name of an individual person. When this type of purchase is made, the vendor name charged to the PCard must match the name listed on the invoice. If the vendor name and invoice do not match, this type of purchase is prohibited. This is a recent change to the Procurement Procedures Manual which normally prohibits these types of charges altogether. It is recommended that Procurement Services consider updating Chapter 4 of the Procurement Procedures Manual to formally incorporate this change.

There were a total of four (4) instances identified where payments were made to an individual's name using payment service providers such as PayPal or Square (SQ) where the name did not match the invoice. There was also one (1) transaction identified that did not have sensitive information redacted.

Weekend Transactions Analysis

The Audit Team performed an analysis of transactions made during the weekend (Saturday or Sunday) to determine if reasonable and adequate documentation was submitted to support the transaction. Transactions from departments with regular business hours that do not include weekends were selected for review. In addition, the Audit Team analyzed weekend purchases that were made from big box retail stores (Walmart, Target, Home Depot, etc.) and restaurants. The Audit Team reviewed the supporting documentation for a sample of these purchases and no exceptions were identified related to inappropriate weekend purchases. One (1) exception was identified however for a transaction that did not have the tax deducted prior to being paid.

Vendor Spend Analysis

The Audit Team identified the amount spent per vendor for the period and reviewed supporting documentation and justification for a sample of purchases. There were no exceptions identified. Purchases from the top ten vendors totaled $620,886.85 and accounted for 12.9% of the third quarter total spending. The Audit Team also reviewed the transactions made from the top ten vendors and determined that no purchases had been made from vendors on the State of Florida Suspended or Convicted vendor lists. The following table details the observations made during the Audit Team's review of sample transactions:

Top Ten Vendors

Amount Spent	Vendor	Examples Of Purchases	Comment or Result
$109,380.00	Polk State College	Training classes	No exceptions noted.
$95,289.31	Amazon Marketplace	Various products	No exceptions noted.
$94,850.04	Design Lab	Fire equipment	No exceptions noted.
$75,321.10	Office Depot	Office furniture, and supplies	No exceptions noted.
$55,995.85	Bound Tree Medical	Medical supplies	No exceptions noted.
$43,691.68	Graybar Electric	Electrical supplies	No exceptions noted.
$40,763.36	Amazon.com	Various products	No exceptions noted.
$38,611.21	Global Knowledge Training	Online training classes	No exceptions noted.
$34,513.70	Raybro	LED fixtures and replacement parts	No exceptions noted.
$32,470.60	Times Advertising	Advertising for the County	No exceptions noted.