COUNTY AUDIT DEPARTMENT

REPORT # 331

Quarterly Status Report of Audit Recommendations and Board of County Commissioners' Management Action Plans Quarter Ending June 30, 2017

JULY 21, 2017

July 21, 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, Jr.
The Honorable Sandra L. Murman

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 third quarter of fiscal year 2017. Addressing these open recommendations will enhance the Board of County Commissioners' overall operations and mitigate risks to the organization. For the quarter ended June 30, 2017, the County Audit Department monitored management action for five (5) recommendations. One of the five remains open and will carry forward to the fourth quarter of fiscal year 2017. *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 third 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.

Sincerely,

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

CC: Mike Merrill, County Administrator
      Greg Horwedel, Deputy County Administrator
      Bonnie Wise, Chief Financial 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
      Tim Simon, Deputy Comptroller, Clerk of Court and Comptroller

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 July 21, 2017

Report # | Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Revised Implementation Date	Actual Implementation Date	Recommendation Close Date
328 | Fleet Management - Vehicle Asset Inventory	Develop and implement a procedure to periodically compare the M5 data with Oracle data	Closed	Fleet Management	5/12/2017	--------------	5/22/2017	6/1/2017
329 | Fisher Scientific Contract Audit	To enhance the monitoring controls and ensure compliance with the terms of the Fisher Scientific Alternate Contract Source (ACS), Fire Rescue's management should consider: 1. Obtaining price lists directly from the Fisher scientific catalog/online price list for all applicable items associated with the Agreement; 2. Continuing to closely monitor and verify the pricing for all purchases associated with the Agreement and ensuring that the appropriate pricing and additional discounts are realized.	Closed	Fire Rescue	6/30/2017	--------------	7/18/2017	7/19/2017
329 | Fisher Scientific Contract Audit	To enhance the monitoring controls and ensure compliance with the terms of the Fisher Scientific Alternate Contract Source (ACS), Fire Rescue's management should consider: 1. Obtaining price lists directly from the Fisher scientific catalog/online price list for all applicable items associated with the Agreement; 2. Continuing to closely monitor and verify the pricing for all purchases associated with the Agreement and ensuring that the appropriate pricing and additional discounts are realized.	Closed	Public Utilties	6/30/2017	--------------	7/11/2017	7/19/2017
330 | Agency for Community Treatment Services (ACTS)	To more effectively monitor and ensure compliance with the agreement, Health Care Services management should ensure that Incident Reports are received and maintained.	Started	Health Care Services	2/10/2017			
330 | Agency for Community Treatment Services (ACTS)	To more effectively monitor and ensure compliance with the agreement, Health Care Services management should consider 1. Requesting ACTS to identify the facility location name on each Client Detail Report attached to the monthly invoice or establishing a control to ensure ACTS complies with the specified locations in the agreement, and 2. Following up with ACTS personnel to ensure the documents required in the agreement for the one client file is obtained and included in the client file.	Closed	Health Care Services	7/31/2017	--------------	6/7/2017	7/20/2017

Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA

DATE: July 10, 2017

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 #36 – PCard Continuous Auditing – FY17 Second 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. Second quarter testing included the basic analysis and review of transactions and account usages as well as a new analysis related to the use of PCards for weekend purchases.

Scope: PCard transactions made from January 1, 2017 through March 31, 2017.

Overall Testing Result:

Total PCard spending was $5,071,840.38 in the second quarter of FY 2017. These purchases were made by 569 unique cardholder accounts. Analytical review of the purchases and trends determined:

- Four purchases were identified for items on the prohibited items list.
- One purchase was made from a vendor with an inconsistent Merchant Category Code.
- Eleven purchases had incomplete supporting documentation.
- The top 10 cardholder accounts made 33% of the purchases in the second quarter.
- No purchases were identified as split purchases.
- Seven purchases (over $5,000) did not have competitive quotes obtained.
- The five top vendors accounted for 26% of the quarter's purchases. No exceptions were noted for the sample of purchases reviewed for these vendors.
- No inappropriate weekend or big box retail purchases were identified.

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 second 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 second 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 Goods Media: Books, Movies, Music	$469,956.16	252
5192	Books, Periodicals And Newspapers	$430,781.22	179
7829	Motion Picture & Video Tape Production	$242,243.18	90
5085	Industrial Supplies Not Elsewhere Classified	$239,238.77	363
7399	Business Services Not Elsewhere Classified	$219,768.83	267

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. The Audit Team reviewed the documentation and justifications for these transactions. The following transaction was identified as an exception:

- A purchase with an MCC description inconsistent with the items purchased. The $210.25 purchase with the MCC description of "Florist" appeared appropriate but was noted as hay for horses and the merchant name was AAA FEED & TACK.

Transactions were also reviewed for MCC codes which included items on the prohibited items list. The following chart lists two (2) 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
Professional Services not elsewhere classified	$1,800.00	Two transactions (totaling $1,800) 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.

In addition, during the MCC analysis, the Audit Team identified four transactions (totaling $6,386.28) for the payment of invoices associated with a contract that is not authorized for purchasing card use.

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 $1,655,981.17 or 33% of total purchases for the second quarter of fiscal year 2017. These purchases were made by cardholders within Library Services (74%), Fire Rescue (22%), and Office of Information and Technology Services (4%). The following table details accounts and observations made during the Audit Team's review of sample transactions.

Top Ten Cardholders			
Amount Spent	**Cardholder or Position Title**	**Cardholder Department**	**Comment or Result**
$469,940.16	Overdrive	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$428,401.67	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.
$242,243.18	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.
$117,503.94	Logistics Manager	Fire Rescue	**One transaction did not document the procurement method used in the Expense Report Justification field of Oracle iExpense as required. In addition, one transaction was for a purchase utilizing a contract that is not authorized for p-card use.**
$89,540.40	Warehouse Manager	Fire Rescue	No exceptions were noted for the sample purchases reviewed.
$84,494.73	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.
$64,866.09	Manager	Information Technology Services	No exceptions were noted for the sample purchases reviewed.
$58,906.66	Administrative Specialist II	Fire Rescue	No exceptions noted.
$50,801.60	Manager	Fire Rescue	No exceptions noted.
$49,282.74	Design Lab	Fire Rescue	This is a term account with no associated contract.

The Audit Team also identified the following exceptions during cardholder testing:

- Ten purchases (over $5,000) did not document the procurement method used in the Expense Report Justification field of Oracle iExpense as required.
- Seven of these transactions did not have the required competitive quotes.
- For one transaction in which quotes were obtained, the vendor with the lowest quote was not selected as required.
- Three purchases (over $5,000) referenced contracts in the justification field that were not authorized for PCard use.

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 made from the top ten vendors 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 $1,325,617.42 and accounted for 26% of the quarter's total spending. The following table shows the total amount spent with each vendor during the second quarter. Four out of the five top vendors are term accounts.

Top Five Vendors			
Amount Spent	**Vendor**	**Purchase Details or Justification**	**Comment or Result**
$469,940.16	Overdrive	Library Materials	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$428,401.67	Baker & Taylor	Library Materials	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$242,243.18	Midwest Tape	Library Materials	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$107,865.04	Office Depot	Office Furniture/ Supplies	No exceptions noted.
$77,167.37	Design Lab	Uniforms per contract	This is a term account with no associated contract.

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:

- Exceed $10,000; potentially circumventing the single transaction limit (7 instances identified.)
- Exceed $5,000; potentially circumventing the quote requirements (16 instances identified.)

The Audit Team reviewed the supporting documentation for each of these purchases and no exceptions were noted.

Weekend Transactions Analysis

The Audit Team implemented an additional analysis for transactions made during the second quarter of fiscal year 2017. The transactions were evaluated to identify purchases that were 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.). The Audit Team reviewed the supporting documentation for a sample each of these purchases and no exceptions were noted.

Other Observations

The Audit Team identified two transactions (totaling $1,362.08) for the payment of outstanding (past due) invoices. There were no authorizations noted in OnBase and/or Oracle for the transactions. The payment of outstanding invoices is prohibited by PCard policy.