

COUNTY AUDIT DEPARTMENT

REPORT # 361

**Quarterly Status Report & Follow-Up
Of BOCC Audit Recommendations
Quarter Ending March 31, 2019**

April 5, 2019



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



April 5, 2019

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 second quarter of fiscal year 2019. Addressing open recommendations will enhance the Board of County Commissioners’ overall operations and mitigate risks to the organization. For the quarter ended March 31, 2019, the County Audit Department monitored management action for fourteen (14) recommendations. For one recommendation, follow-up is no longer warranted since the subject agreement for which the recommendation targeted was terminated by the Department. Seven recommendations have been implemented and tracking has been closed. The remaining six will carry forward to the third 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 copies of the Management Memorandums issued to the County Administrator and staff during the second quarter of fiscal year 2019.
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 or furnish additional information if desired.

Sincerely,

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

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Carl Harness, Chief Human Services Administrator
Ramin Kouzehkanani, Chief Information and Innovation Officer
Kelly Devers, Medical Examiner
JoAnn Rollins, Director, Children's Services
Axel Clauberg, Director, IT Business Management Services Division
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

ATTACHMENT 1

STATUS OF AUDIT RECOMMENDATIONS as of March 31, 2019

Report # Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Actual Implementation Date	Recommendation Close Date
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.	Past Due	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.	Closed - Follow up no longer warranted	Medical Examiner	07/01/2018	Not Applicable	03/07/2019
357 Child Care Licensing	Document late fee waivers, including the reason for the waiver and management's approval, in the provider file for future reference. The use of waivers should also be tracked in a manner that allows for multiyear comparison and other analysis.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/19/2019
357 Child Care Licensing	Review the <i>Affidavit of Background Screening</i> on the license application for completeness upon receipt and return it to the provider if not complete. Missing information should be obtained prior to processing the license renewal, and whenever feasible, should not be completed by licensing staff.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/19/2019
357 Child Care Licensing	Develop and implement written policies and/or procedures addressing the review and supervisory approval for completeness of background screening documents for both initial and renewal license applications.	Pending	Child Care Licensing	04/01/2019		
357 Child Care Licensing	Update the County child care ordinances to reflect the current background screening process requirements for licensed child care facilities and licensed family child care homes.	Pending	Child Care Licensing	04/01/2019		
357 Child Care Licensing	Ensure that at least two individual (dual) signatures are obtained on the <i>License Application Worksheet</i> . A single individual should not sign for multiple levels of approval or approve his/her own work.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/19/2019
357 Child Care Licensing	Train additional employees as a back-up for the deposit tasks, including preparation of the department collection report and rotate these duties between the employees on a regular basis.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/19/2019
357 Child Care Licensing	Separate the tasks of opening the mail, logging checks received, and preparing the deposit and DR between two or more employees.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/19/2019
357 Child Care Licensing	Develop and implement a more reliable method than white-out tape for any redacting of confidential information in the provider files.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/20/2019

ATTACHMENT 1

Report # Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Actual Implementation Date	Recommendation Close Date
357 Child Care Licensing	Record the disposition of any overpayment in the provider's file to ensure that a record of each transaction is maintained	Pending	Child Care Licensing	04/01/2019		
357 Child Care Licensing	Update the <i>Standard Operating Procedure Manual</i> to include the "two inspections per year" criteria for Child Care Homes and to reflect the current standard practice regarding the timing of citations for qualifying for the two inspections per year.	Closed	Child Care Licensing	02/01/2019	02/01/2019	03/20/2019
360 9-1-1 Agency - Address Data	To ensure that the address data utilized by the various systems and agencies throughout Hillsborough County remains consistent and reliable, management should 1) Investigate the inconsistencies identified by the Audit Team and determine if any corrections to the data are needed in either the 9-1-1 database or GIS; 2) Determine the root cause of such inconsistencies and implement mitigating controls to address any underlying issues; and 3) Implement holistic validation or monitoring controls to routinely compare data between the 9-1-1 database and the County GIS system.	Pending Audit Team Follow-Up	911 Agency	03/01/2019		



DATE: January 31, 2019

TO: Scott Stromer, Director, Procurement Services

CC: Mike Merrill, County Administrator
Executive Team, County Administration
Tim Simon, Deputy Comptroller, Clerk of Court & Comptroller

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

SUBJECT: Management Memorandum #MM59 – PCard Continuous Auditing – FY18 Fourth Quarter

Attachment: *Detail of Transaction Testing & Analysis*

OBJECTIVE

To evaluate the appropriateness of PCard purchases made during each quarter of the fiscal year via analysis and sample testing. Fourth quarter testing included the routine analysis and review of transactions as well as an analysis of annual spending trends, card utilization and card termination testing. All concerns and exceptions were referred to the PCard administrator for follow-up and corrective action.

SCOPE

PCard transaction testing included purchases made from July 1, 2018 through September 30, 2018, excluding transactions made on Library Services term accounts. (*Library Books and Materials Procurement Audit Report #353* was distributed on August 22, 2018, which included testing of Library PCard transactions). The annual PCard spending analysis included all of fiscal year 2018 transactions.

SUMMARY OF RESULTS

4th Quarter Transactions:	\$ 5,674,672.75
FY18 Annual Transactions:	\$20,223,369.01

- No instances of split transactions were identified.
- Five transactions for food purchases did not have appropriate approval.
- Six transactions were identified that could result in a PCard being saved on a vendor's network.
- Two transactions used a payment service in an individual's name that did not match the invoice.
- Five transactions did not include appropriate invoice support for the purchase.
- One transaction for a gift card that did not have appropriate approval.
- One transaction did not have the justification field properly completed in Oracle.
- Ten purchasing cards were not deactivated timely upon employee termination.
- Cardholder transaction limits are not aligned with cardholder spending trends.

Please see the attachment for further testing details and analysis. Feel free to contact me at (813) 307-7000 with any questions, comments or suggestions.



DETAIL OF TRANSACTION TESTING & ANALYSIS

MERCHANT CATEGORY CODE (MCC) ANALYSIS

The Audit Team judgmentally selected a sample of 89 transactions that appeared to be restricted purchases based on the MCC and Procurement Procedures Manual restrictions. This included items such as food purchases or transactions where PCard numbers are required to be stored by a vendor. The transactions were evaluated for appropriate support and justification and several exceptions were identified.

- Five (5) transactions were identified for the purchase of food. The audit team followed up and confirmed that these food purchases were not approved prior to the transaction occurring. These purchases were made by departments which frequently make food purchases and are deemed acceptable; however, the current Procurement Procedures Manual does not include a provision for this exception.
- Six (6) transactions were processed using the Uber platform. Uber generally requires payment card information to be stored on an account which violates the Card Account Security restrictions in the Procurement Procedures Manual.
- The additional 78 transactions that appeared to be unexpected or unusual based on MCC Codes were reviewed and no further exceptions were identified.

The Procurement Procedures Manual should be updated to address when food purchases are authorized on PCards without preapproval and when or if the use of vendor applications which store cards “on file” is allowable.

SPLIT PURCHASES

The Audit Team analyzed fourth quarter transactions to identify 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 228 transactions for this testing and identified no split purchase exceptions.

PAYMENT SERVICES IN AN INDIVIDUAL’S NAME

The Audit Team analyzed transactions which were paid through a payment service provider (such as PayPal or Square) and included the name of an individual as the vendor to ensure that the vendor name matched the name listed on the invoice. This criteria was verbally communicated to the Audit Team by procurement services and is not consistent with the requirements of the Procurement Procedures Manual. *Procurement Services should consider updating Chapter 4 of the Procurement Procedures Manual to formally incorporate this change.*

There were a total of five exceptions identified during the testing. All five of the exceptions did not have the appropriate support for the transaction and two were payments made to a PayPal account with an individual’s name that did not match an invoice.



WEEKEND TRANSACTIONS

The Audit Team performed an analysis of transactions made during the weekend (Saturday or Sunday) by departments with regular business hours that do not include weekends. The Audit Team also analyzed weekend purchases that were made from restaurants or big box retail stores (Walmart, Target, Home Depot, etc.). The supporting documentation for a sample of these purchases was reviewed for appropriateness.

- One (1) purchase of a gift card and food was made without preapproval, which is prohibited by the Procurement Procedures Manual. This transaction was also listed in Oracle as being a purchase for clothes which was not accurate.
- One transaction for office equipment did not have the justification field completed in Oracle.

CARD TERMINATION

The Audit Team analyzed whether PCards were deactivated in a timely manner after an employee's termination date as identified in Oracle. A total of 55 former employees with purchasing cards were identified for testing. The table below summarizes the testing results. Ten (10) cards appear to have been deactivated in an untimely manner (over 14 days after termination). No purchases were made on these card accounts subsequent to the employee's termination date.

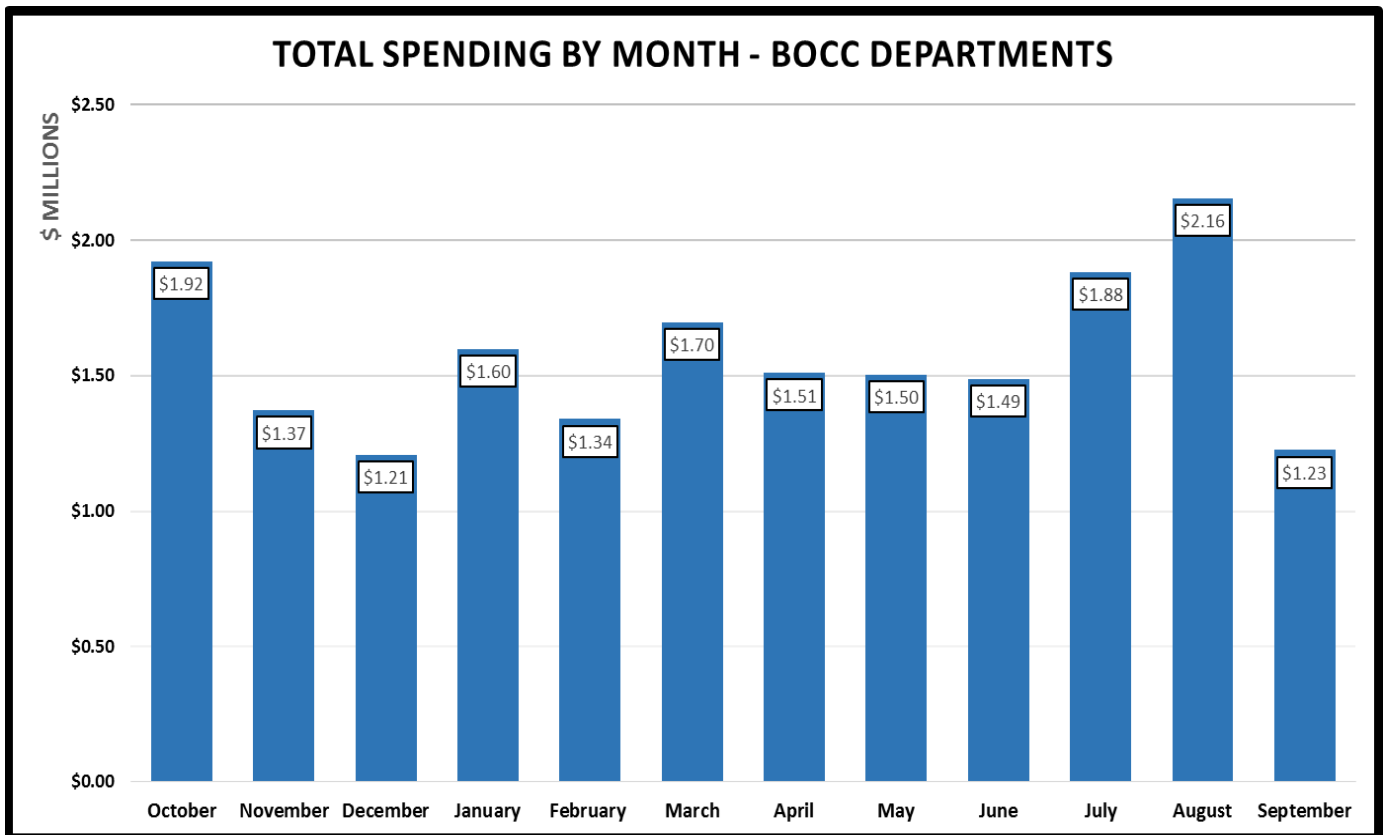
WHEN CARD WAS DEACTIVATED	NUMBER OF CARDS	%
PRIOR TO TERMINATION	17	31%
WITHIN 5 DAYS	23	42%
WITHIN 14 DAYS	5	9%
WITHIN 30 DAYS	6	11%
OVER 30 DAYS	3	5%
OVER 60 DAYS	1	2%
TOTAL	55	100%



ANNUAL TREND ANALYSIS

The Audit Team also reviewed FY18 annual purchasing data and identified several trends that the Procurement Department may find helpful in determining the type of spending taking place throughout the County.

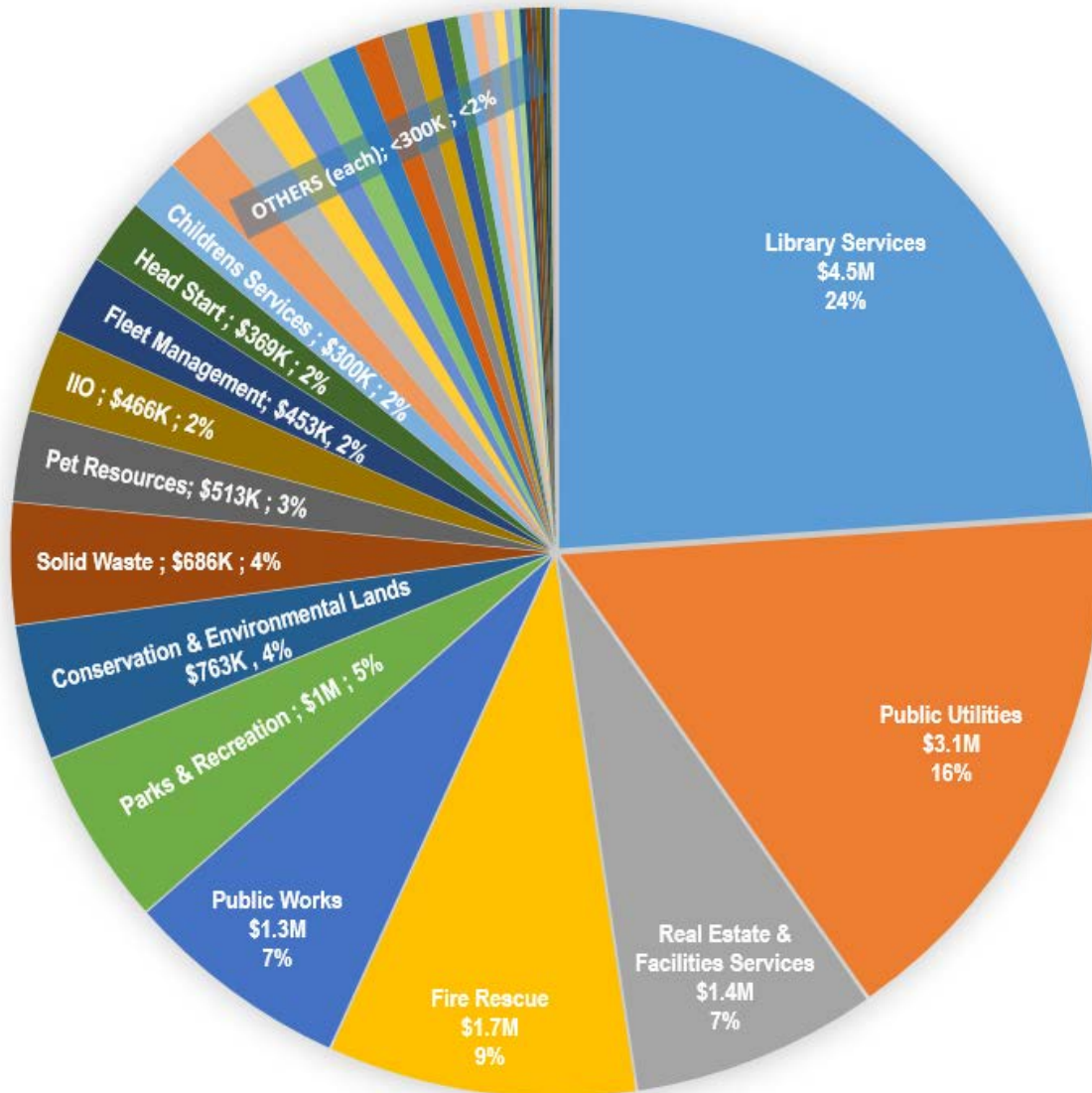
The graph below depicts purchasing card spending by month during fiscal year 2018. Spending appears to be relatively consistent with peaks during the first month of the fiscal year (October) and again towards the end of the fiscal year (August) and a drop off in the last month of the fiscal year when department spending is cut off for year end.





The graph below identifies FY18 spending by BOCC Department. In FY18, four departments made up 56% of all PCard spending. (Note: Purchases made by departments/agencies not under County Administration were excluded.)

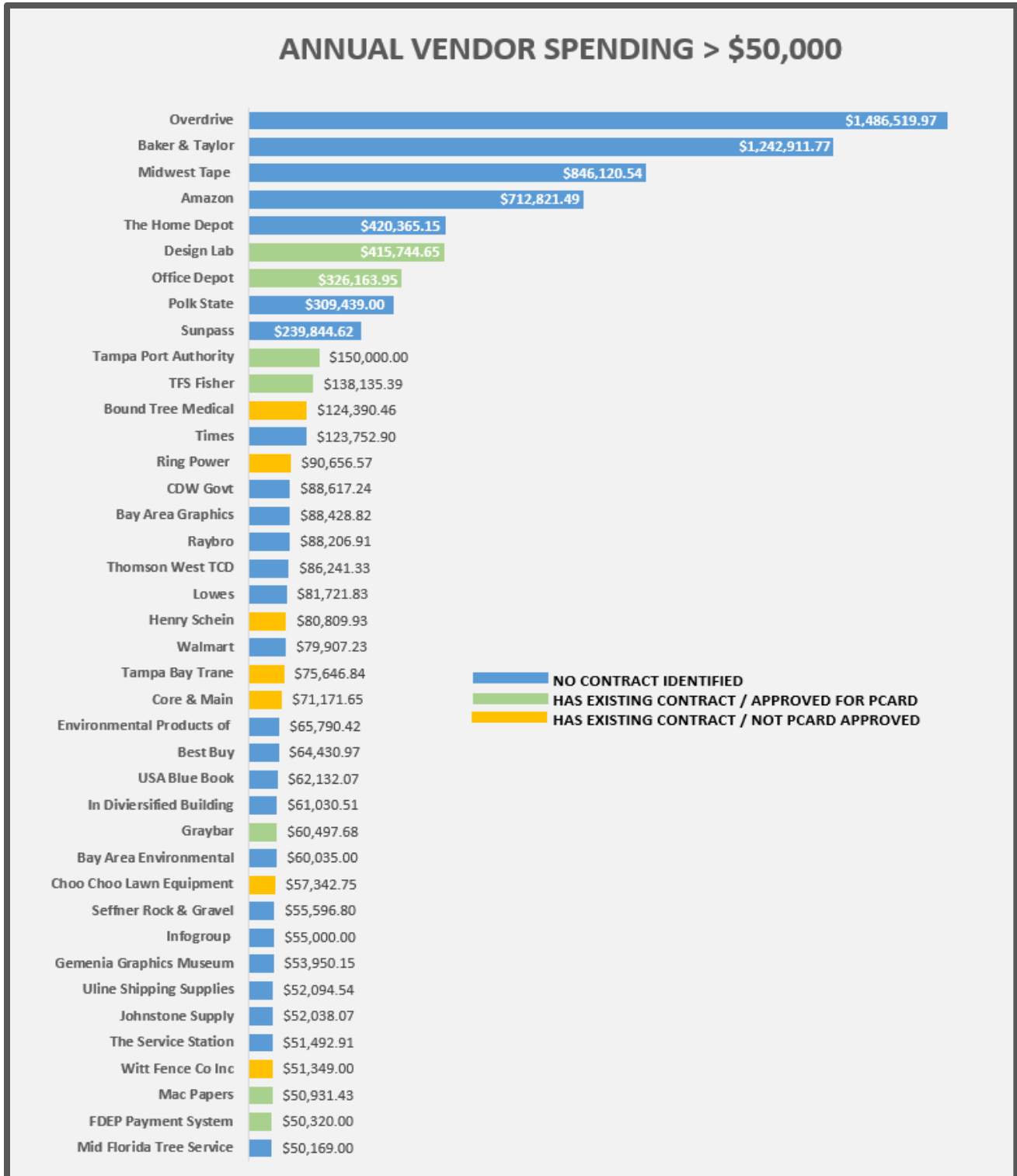
**ANNUAL SPENDING DISTRIBUTION
BY COUNTY ADMINISTRATOR DEPARTMENT
Total Spend \$18.9 Million**



The Audit Team also compiled purchases by vendor to analyze whether spending complied with the quote requirement (total transactions over \$5,000) and competitive bid requirements (total transactions over \$50,000). Vendors who had combined purchases in excess of these amounts may need to be considered for more formal procurements. A full listing of the transactions and vendors was provided to the Procurement Department for their consideration and review.



The graph below includes those vendors who had more than \$50,000 in PCard transactions for FY18; indicates whether or not they have existing contracts with the County; and whether they are approved for use with purchasing card payments.

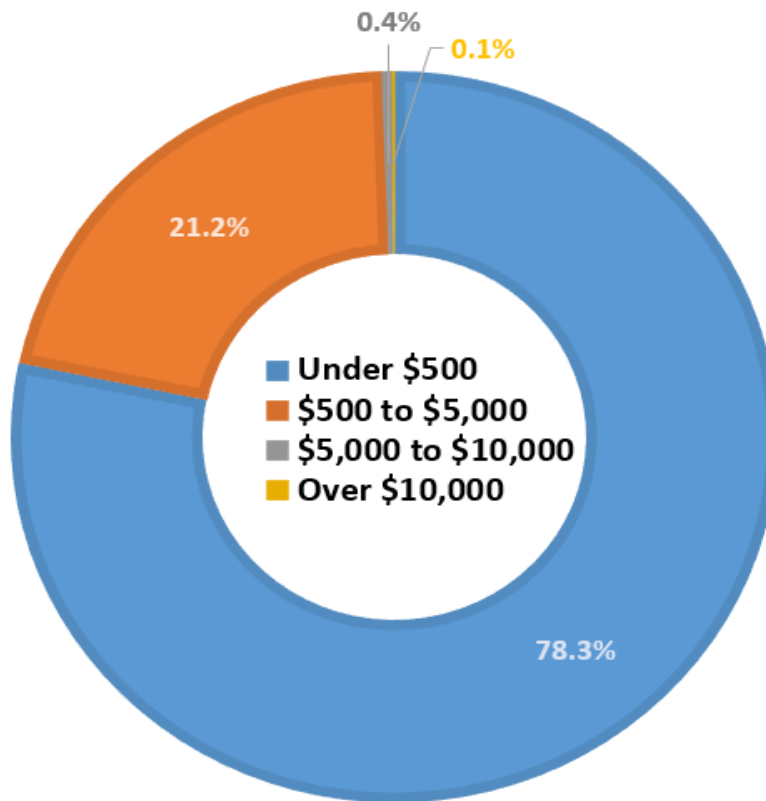




The Audit Team also compiled purchases by cardholder to analyze the card utilization for BOCC purchasing cards. This data excludes known term accounts. While the average FY18 PCard transaction was \$488.00 and 78% of transactions were under \$500.00, the average and routine transaction limit for PCards is \$10,000.00.

Procurement should consider aligning the cardholder transaction limits with established needs.

FY18 CARD UTILIZATION BY TRANSACTION





DATE: February 8, 2019

TO: Forest Turbiville, Director, Conservation & Environmental Lands Management

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Dexter Barge, Assistant County Administrator
Tim Simon, Deputy Comptroller, Clerk of Court & Comptroller
Catherine Edwards, Accounting Manager, County Finance

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

SUBJECT: Management Memorandum #61 – Cash Count at Edward Medard Conservation Park.

OBJECTIVE:

On January 25, 2019, the County Audit Department conducted an unannounced cash fund count at Edward Medard Conservation Park, Site #052. The objective of this cash count was to test whether or not the cash drawers and change funds contained the appropriate amount of cash at a specific point in time, and whether or not there are adequate physical safeguards over the cash.

SCOPE:

The scope of work consisted of the Audit Team counting funds on hand, making inquiries of personnel regarding cash handling procedures and observations of physical security of change funds on the day of the site visit.

OVERALL EVALUATION:

The Edward Medard Conservation Park, Site #052 had accurate counts for the drawer cash funds, and cash collections. Physical safeguarding controls were adequate. No discrepancies were identified and all cash amounts for the \$300.00 starting drawer funds were accounted for by the Audit Team. Specific results of the Audit Team's cash count are as follows:

- The starting drawer funds of \$300.00 were verified.
- Daily cash collection by the cashier was counted and compared to the sold tickets totals to ensure they agreed.
- No cashier overages or shortages were identified in the starting drawer funds, the change fund, or the daily cash collection amounts.
- Appropriate controls are in place to ensure that funds are secured each night.
- The previous day's documents had been completed and verified in a timely manner.
- *A safe at the location only has 1 key, which could lead to a disruption in operations should it get lost.*

Feel free to contact me, (813) 307-7000, with any questions, comments or suggestions.



DATE: February 20, 2019

TO: Forest Turbiville, Director, Conservation & Environmental Lands Management

COPY: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Dexter Barge, Assistant County Administrator
Tim Simon, Deputy Comptroller, Clerk of Court & Comptroller
Catherine Edwards, Accounting Manager, County Finance

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

SUBJECT: Management Memo #63 – Cash Count at Upper Tampa Bay Conservation Park.

OBJECTIVE:

On January 28, 2019, the County Audit Department conducted an unannounced cash fund count at the Upper Tampa Bay Conservation Park, Site #047. The objective of this cash count was to test whether or not the cash drawers and change funds contained the appropriate amount of cash at a specific point in time, and whether or not there are adequate physical safeguards over the cash.

SCOPE:

The scope of work consisted of the Audit Team counting funds on hand, making inquiries of personnel regarding cash handling procedures, and observations of physical security of change funds on the day of the site visit.

OVERALL EVALUATION:

The Upper Tampa Bay Conservation Park, Site #047 had an accurate count for the cash change fund. No customer sales transactions had occurred yet for the day at the time the Audit Team arrived. Physical safeguarding controls were adequate. No discrepancies were identified and all cash amounts for the \$100.00 change fund were accounted for by the Audit Team. Specific results of the Audit Team's cash count are as follows:

- Two starting drawer funds one for \$20.00 and one for \$80.00 (\$100.00 total) were verified.
- No cashier overages or shortages were identified in the change funds.
- Appropriate controls are in place to ensure that funds are secured each night.
- Controls appear to be in place to ensure that only authorized personnel can gain access to restricted areas.

Please feel free to contact me at (813) 307-7000 with any questions, comments, or suggestions.