

COUNTY AUDIT DEPARTMENT

REPORT # 370

Quarterly Status Report & Follow-Up of BOCC Audit Recommendations Quarter Ending September 30, 2019

October 22, 2019



Pat Frank INTEGRITY. TRANSPARENCY. ACCOUNTABILITY.

CLERK OF COURT & COMPTROLLER • HILLSBOROUGH COUNTY, FLORIDA



October 22, 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 fourth 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 September 30, 2019, the County Audit Department monitored management action for six (6) recommendations. Two recommendations were implemented and tracking has been closed. The remaining four will carry forward to the first quarter of fiscal year 2020. *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 copies of the Management Memorandums issued to the County Administrator and staff during the fourth 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
Ramin Kouzehkanani, Chief Information and Innovation Officer
Bonnie Wise, Deputy County Administrator/Chief Financial Administrator
John Lyons, Infrastructure Services Administrator
Ron Barton, Assistant County Administrator, Economic Prosperity
George Cassady, Director, Public Works Department
Axel Clauberg, Director, IT Business Management Services Division
Dennis Jones, Fire Chief, Fire Rescue Department
Cheryl Howell, Director, Affordable Housing Services
Kevin Brickey, Director, Management & Budget Department
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 September 30, 2019

Report # Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Actual Implementation Date	Recommendation Close Date
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.	Past Due - Started but not completed	911 Agency	3/1/2019	-	-
364 Use of Overtime Pay	Monitor for changes in Telestaff and manual adjustments in KRONOS	Closed	Fire Rescue	4/15/2019	7/23/2019	8/2/2019
365 Covanta Agreement - Energy Recovery Services	To improve controls related to invoice processing, management should consider including complete and accurate supporting documentation with invoice files when recalculating and verifying invoice payments to Covanta; including evidence of all reviews and approvals on all Covanta invoices, prior to being paid; and ensuring credits for the sale of ferrous and non-ferrous metals are provided to the County from Covanta within 30 days of receipt by Covanta, as agreed upon in the Covanta contract.	Pending	Public Utilities	6/30/2020	-	-
365 Covanta Agreement - Energy Recovery Services	To improve monitoring of the performance guarantees, management should consider compiling the various updates, amendments and revisions for the Agreement into a single, consolidated document that details the existing contract terms and conditions to ensure there is clarity for the existing contract relationship; and researching the requirement for the Process Residue Quality guarantee and determining whether or not to modify the contract to remove the guarantee or require the contractor to include and track it on the annual Covanta performance guarantee summary report.	Pending	Public Utilities	6/30/2020	-	-
369 Affordable Housing Grant Accounting	To ensure that manual journal entries are complete and accurate and that employee time is properly charged to the appropriate grants, management should: 1) Develop new controls and procedures for ensuring that manual journal entries have supporting documentation and can be clearly followed and verified. 2) Determine whether or not the current process should continue to be used for adjusting employee time quarterly, or if a simpler more automated process could be implemented. Management may wish to explore the availability of a more sophisticated and efficient software tool to manage the process and minimize the need for manual journal entries. 3) Implement a process to periodically identify and reconcile funds with non zero cash equity balances.	Closed	Affordable Housing	7/1/2019	7/1/2019	10/14/2019
369 Affordable Housing Grant Accounting	To ensure that loans are being properly amortized and recorded, management should: 1) Implement new processes and controls to ensure contract documents are prepared with accuracy and that the amortization data in Excel matches the contract terms. 2) Consider reviewing all the other contracts listed in Excel spreadsheets against the Official Records documents for accuracy. 3) Record any necessary adjusting journal entries to ensure the amortization and receivable amounts in the general ledger are complete and accurate. 4) For multi-family property loans, determine if the entity has been profitable and whether or not payments are owed to the County. 5) Consider implementing contract management software that can automate the tracking and calculation of loan receivables.	Pending	Affordable Housing	10/1/2019	-	-



DATE: July 12, 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 #MM67 – PCard Continuous Auditing – FY19 Second Quarter

Attachment: *Detail of Transaction Testing & Analysis*

OBJECTIVE

To evaluate the appropriateness of Purchasing Card (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 an analysis related to the use of PCards for weekend purchases and card terminations. All concerns and exceptions were referred to the PCard administrator for follow-up and corrective action.

SCOPE

PCard transaction testing included purchases made from January 1, 2019 through March 31, 2019, 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).

SUMMARY OF RESULTS

Total PCard spending was \$5,198,543.99 for the second quarter of FY 2019; 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 \$3,957,031.90. Analytical review of the purchases and trends identified:

- One purchase over \$5,000.00 that was split into two separate charges without the required three quotes.
- Four transactions for food purchases that did not have appropriate approval.
- Five transactions that have incomplete pre-trip authorization forms.
- One transaction that did not include adequate invoice support for the purchase.
- Fourteen transactions that did not have the justification field properly filled out in Oracle.
- One transaction that included Florida sales tax on the purchase.
- One purchase that used a payment service in an individual's name which did not match the invoice.
- One transaction for software that did not have approval from the Information and Innovation Office (IIO).
- One transaction was identified that could result in a PCard being saved on a vendor's network.
- No instances of inappropriate weekend or big box retail purchases.

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

Purchases made during the second quarter of fiscal year 2019 were analyzed based on the Merchant Category Code (MCC) and Procurement Procedures Manual restrictions. The table below identifies the top 5 MCCs based on the total spent for the second quarter of fiscal year 2019.

MCC Number	MCC Description	Amount Spent	Number of Transactions
7399	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI (Examples include uniforms, medical equipment & waste disposal)	\$339,397.69	290
5085	INDUSTRIAL SUPPLIES NOT ELSEWHERE CLASSI (Examples include repair parts, tools & maintenance.)	\$209,979.91	257
5942	BOOK STORES (Items purchased from Amazon)	\$184,285.27	1150
8999	PROFESSIONAL SERVICES NOT ELSEWHERE CLAS (Examples include elevators, fire support, & locksmiths)	\$161,890.51	124
1520	GENERAL CONTRACTORS-RESIDENTIAL (Example include repairs, maintenance and equipment)	\$136,647.65	100

The Audit Team judgmentally selected a sample of 36 transactions based on unexpected or unusual MCC descriptions that appeared to be restricted, such as fast food restaurants, hotels, catering and grocery stores. The transactions were evaluated for appropriate support and justification and several exceptions were identified.

- Three (3) 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. One of these purchases was made by Children’s Services which frequently make food purchases and are deemed acceptable; however, the current Procurement Procedures Manual does not include a provision for this exception.
- Five (5) transactions were identified where the pre-trip travel authorization form was not fully completed. The signature for the approving authority and the method of payment were omitted.
- Five (5) transactions did not include adequate justification in Oracle.
- One (1) transaction did not include an itemized invoice.
- One (1) instance was identified where Florida sales tax was paid.
- One (1) transaction was processed using the Uber platform. Uber generally requires payment card information to be stored on an account which is prohibited by the Card Account Security restrictions in the Procurement Procedures Manual.
- One (1) purchase of software occurred without obtaining pre-approval from the IIO as required by Administrative Directive IT-01.
- An additional 21 transactions that appeared to be unexpected or unusual based on MCC Codes were reviewed and no further exceptions were identified.



TRANSACTIONS OF \$5,000 OR MORE

An additional sample of transactions above \$5,000.00 was selected and the supporting documentation was reviewed for compliance with PCard rules. Two (2) transactions did not have three competitive quotes recorded in the justification field in Oracle. However, quotes were obtained for both transactions (for one transaction, only 2 of the 3 vendors solicited provided a quote).

SPLIT PURCHASES

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 made a purchase of over \$5,000.00 via two separate charges without obtaining the three competitive quotes as required. Additionally, three (3) PCard transactions were identified that did not include adequate justification on Oracle.

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. One (1) instance was identified where a payment was made to an individual's name using payment service provider Square (SQ) where the name did not match the 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 big box retail stores (Walmart, Target, Home Depot, etc.). The supporting documentation for a sample of these purchases was reviewed for appropriateness with the following results:

- Three (3) transactions did not have the justification field properly filled out on Oracle.
- One (1) transaction was for a food purchase that was not approved prior to the transaction occurring.
- No purchases appeared to be inappropriate based on the department making the purchase.

CARD TERMINATION

The Audit Team analyzed whether PCards were deactivated in a timely manner after an employee's termination date as identified in Oracle. Two (2) former employees with purchasing cards were identified for testing. All PCards were deactivated within 14 days after termination. No purchases were made on these card accounts subsequent to the employee's termination date.



DATE: September 27, 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 #MM68 – PCard Continuous Auditing – FY19 Third Quarter
Attachment: *Detail of Transaction Testing & Analysis*

OBJECTIVE

To evaluate the appropriateness of Purchasing Card (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 and card terminations. All concerns and exceptions were referred to the PCard administrator for follow-up and corrective action.

SCOPE

PCard transaction testing included purchases made from April 1, 2019 through June 30, 2019, 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).

SUMMARY OF RESULTS

Total PCard spending was \$5,771,315.59 for the third quarter of FY 2019; however, Library Services is exempt from normal competitive procurement requirements for books and materials, so these transactions were excluded from testing. PCard spending for all other departments was \$4,336,506.37. Analytical review of the purchases and trends identified:

- Five transactions for food purchases that did not have appropriate approval.
- One transaction above \$5,000 where one of the three required quotes was obtained after payment.
- Three transactions that did not include adequate invoice support for the purchases.
- Four instances of purchases that did not have protected information redacted.
- Four transactions that did not have the 3 quotes information entered in the justification field in Oracle.
- Fourteen purchasing cards were not deactivated timely upon the employee's termination.
- No instances of inappropriate weekend or big box retail purchases.
- No purchases that appeared to be split to circumvent purchase thresholds.

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

Purchases made during the third quarter of fiscal year 2019 were analyzed based on the Merchant Category Code (MCC) and Procurement Procedures Manual restrictions. The table below identifies the top 5 MCCs based on the total spent for the third quarter of fiscal year 2019.

MCC Number	MCC Description	Amount Spent	Number of Transactions
7399	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI (Examples include uniforms, medical equipment & conference registrations)	\$308,517.55	308
5942	BOOK STORES (Items purchased from Amazon)	\$245,900.35	1334
5085	INDUSTRIAL SUPPLIES NOT ELSEWHERE CLASSI (Examples include repair parts, tools & maintenance)	\$228,251.39	288
5046	COMMERCIAL EQUIPMENT, NOT ELSEWHERE CLAS (Examples include equipment repair & replacement parts)	\$175,304.87	143
5047	LAB/MEDICAL/DENTAL/OPHTHALMIC HOSPITAL (Examples include medical supplies)	\$154,893.29	168

The Audit Team judgmentally selected a sample of 33 transactions based on unexpected or unusual MCC descriptions that appeared to be restricted, such as fast food restaurants, hotels, catering and grocery stores. The transactions were evaluated for appropriate support and justification and several exceptions were identified.

- Five (5) transactions were identified for the purchase of food, one of which did not have children's names redacted. The Audit Team followed up and confirmed that these food purchases were not approved prior to the transaction occurring. Most of 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.
- One (1) transaction did not include adequate invoice support in the form of an itemized invoice and children's names were not redacted.
- Two (2) additional instances were identified of purchases that did not have children's names redacted.
- An additional 25 transactions that appeared to be unexpected or unusual based on MCC Codes were reviewed and no further exceptions were identified.



TRANSACTIONS OF \$5,000 OR MORE

An additional sample of transactions above \$5,000.00 was selected and the supporting documentation was reviewed for compliance with PCard rules. Two (2) transactions did not have backup supporting documents (3 quotes) in OnBase. Furthermore, three (3) transactions were identified where the cardholder did not list competitive quote details in the justification field of the Expense Report in Oracle. One of these three transactions had a third quote that was obtained after payment.

SPLIT PURCHASES

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 no split purchase exceptions. One (1) transaction was identified where the cardholder did not list competitive quote details in the justification field of the Expense Report in Oracle.

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. There were no exceptions identified.

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 big box retail stores (Walmart, Target, Home Depot, etc.). The supporting documentation for a sample of these purchases was reviewed for appropriateness. No purchases appeared to be inappropriate based on the department making the purchase.

CARD TERMINATION

The Audit Team analyzed whether PCards were deactivated in a timely manner after an employee's termination date as identified in Oracle. Twenty (20) former employees with purchasing cards were identified for testing. Four (4) employees had their PCards deactivated within 31 to 59 days of their termination date, and ten (10) employees had their PCards deactivated 60 days or more after their termination date. No purchases were made on these card accounts subsequent to the employee's termination date.