COUNTY AUDIT DEPARTMENT

REPORT # 341

Quarterly Status Report of Audit Recommendations and Board of County Commissioners' Management Action Plans Quarter Ending December 31, 2017

February 2, 2018

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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 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 first quarter of fiscal year 2018. Addressing these open recommendations will enhance the Board of County Commissioners' overall operations and mitigate risks to the organization. For the quarter ended December 31, 2017, the County Audit Department monitored management action for six (6) recommendations. One of these six recommendations has been implemented and tracking has been closed. The remaining five will carry forward to the second quarter of fiscal year 2018. *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 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, we have also attached a copy of each of the Management Memorandums issued to the County Administrator and staff during the fourth quarter of fiscal year 2017.
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, 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
    Carl Harness, Chief Human Services Administrator
    Kevin Brickey, Performance Mgmt, Management & Budget
    Peggy Caskey, County Internal Auditor
    Pat Frank, Clerk of Court & Comptroller
    Rick Van Arsdall, Chief Deputy, Clerk to the Board
    Tim Simon, Deputy Comptroller, Clerk of Court and Comptroller

Steps in the Management Action Plan Monitoring Process

Getting Started
- Pending

Client's Progress
- Implemented
  - Partial Client Approved
  - Final Client Approved
  - Audit Approved

Closed
- By Audit Team
- Follow-Up Unwarranted
- Management Accepts the Risk
- County Audit Follow-Up Tracking Expired

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 December 31, 2017

Report #	Project Name	Recommendation Title	Recommendation State	Entity	Estimated Implementation Date	Revised Implementation Date	Actual Implementation Date	Recommendation Close Date
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	12/31/2017	12/31/2017	1/31/2018
333	Auto and General Liability Claims	There is an opportunity to improve controls over the Claims Administration Services Invoice Review & Approval Process	Started (Partially Implemented)	Risk Management & Safety	10/1/2017	3/1/2018		
338| Park Revenue Collection Stations Cash Accountability	Opportunities exist for the Department to strengthen the existing control structure.	Pending	Parks & Recreation	3/31/2018			
339| Tampa Bay History Center Agreement	There is an opportunity to improve controls over compliance with Board Policy and the Agreement.	Pending	Management & Budget	6/30/2018			
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.	Pending	Management & Budget	3/31/2018			
340| Budgeted One-Time Unallocated Funds	Opportunities exist to improve controls over the process for utilizing Unallocated Funds.	Pending	Management & Budget	1/31/2018			

COUNTY AUDIT DEPARTMENT ISSUED MANAGEMENT
MEMORANDUMS FIRST QUARTER FY18

MEMO #	TITLE	PAGES
MM44	Continuous Audit – Purchasing Card FY 2017 Third & Fourth Quarters	6-9

DATE: December 15, 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 #44 – PCard Continuous Auditing – FY17 Third & Fourth Quarters

*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 and fourth 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. For the month of September 2017, 310 P-Cards had their emergency profiles activated to facilitate expenditures related to Hurricane Irma, including the opening up of certain Merchant Category Codes (MCCs) for emergency use. 152 of these were emergency-only PCards, and 84 other PCards had their limits increased. Hurricane-related transactions were included in the samples selected for testing. The PCard administrator was notified of any concerns or exceptions.

Scope: PCard transactions made from April 1, 2017 through September 30, 2017.

Overall Testing Result:

Total PCard spending was $10,550,183.61 for the third and fourth quarters of FY 2017. Analytical review of the purchases and trends identified:

- Purchases that used a payment service in an individual's name.
- Two purchases with invoices that were paid over 3 months after the invoice date.
- Two contract purchases that were missing the contract information in the justification field in Oracle.
- One purchase that had an invoice with un-redacted credit card account information showing.
- Two purchases that did not have documentation showing that 3 competitive quotes were obtained.
- No purchases that appeared to be split to circumvent purchase thresholds.
- 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, (813) 307-7000, with any questions, comments or suggestions.

DETAIL OF TRANSACTION TESTING & ANALYSIS

Spend by MCC

Purchases made during the third and fourth quarters 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 third and fourth quarters of fiscal year 2017. Transactions were judgmentally sampled and reviewed for appropriate support and justification.

MCC	MCC Description	Amount Spent	# of Transactions
5192	BOOKS, PERIODICALS AND NEWSPAPERS	$ 699,418.83	408
7399	BUSINESS SERVICES NOT ELSEWHERE CLASSIFIED (Examples include uniforms, shredding, & notaries.)	$ 649,460.44	614
5815	DIGITAL GOODS MEDIA: BOOKS, MOVIES, MUSIC	$ 559,667.41	107
5085	INDUSTRIAL SUPPLIES NOT ELSEWHERE CLASSIFI (Examples include janitorial, repair parts, & tools)	$ 506,536.70	640
7829	MOTION PICTURE & VIDEO TAPE PRODUCTION	$ 399,362.34	150

Transactions were also reviewed for any unexpected or unusual MCC descriptions such as Beauty and Barber Shops, Florists Supplies, Nursery Stock & Flower, and Hobby, Toy and Game Shops. The Audit Team reviewed the documentation and justifications for samples of these transactions. The following transactions were identified as exceptions:

- Three transactions in the third quarter were made to an online payment service setup in an individual's name.
- Two transactions in the third quarter where the cardholder's employee ID number was not written on the invoice as required by the Procurement Manual.
- One transaction in the fourth quarter where full credit card information was showing on the invoice and not redacted from the document image in OnBase.

Spend by Cardholder

The Audit Team identified the ten cardholders with the highest dollar spend for the period. Samples of purchases by these cardholders were selected and the supporting documentation was examined. The top ten cardholder account purchases totaled $2,808,452.02, or 27% of total purchases for the third and fourth quarters. These purchases were made by cardholders within Library Services (66%), Fire Rescue (25%), Solid Waste (5%), and the Office of Management & Budget (4%). The following table details accounts and observations made during the Audit Team's review of sample transactions:

Amount Spent	Cardholder Or Term Account Title	Cardholder Department	Comment or Result
$682,106.58	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.
$559,667.41	Overdrive	Library Services	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$399,362.34	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.
$278,290.52	Logistics Manager	Fire Rescue	One transaction did not have the cardholder's employee ID number written on the invoice and had no documentation showing that 3 competitive quotes were obtained.
$262,608.40	Design Lab	Fire Rescue	This is a Term Account with no associated contract.
$157,045.22	Warehouse Manager	Fire Rescue	No exceptions noted.
$127,528.53	Administrative Specialist I	Solid Waste	No exceptions noted.
$120,379.91	Accounting Clerk	Management & Budget	No exceptions noted.
$114,222.73	Administrative Specialist III	Library Services	No exceptions noted.
$107,240.38	Miscellaneous 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.

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 $1,980,448.23 and accounted for 19% of both quarter's total spending. The following table shows the total amount spent with each vendor for both quarters. Four out of the five top vendors are term accounts. Overall, no exceptions were found.

Amount Spent	Vendor	Purchase Details or Justification	Comment or Result
$682,106.58	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.
$559,667.41	Overdrive	Library Materials	Library Services has a procurement exemption for the purchase of library materials. This is a Term Account with no associated contract.
$399,362.34	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.
$248,972.01	Design Lab	Uniforms	This is a term account with no associated contract.
$90,339.89	Amazon	Various	No exceptions noted.

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 and competitive quote requirements. The Audit Team reviewed the supporting documentation for each of these purchases and no exceptions were noted. However, there were two instances of an invoice that was paid more than 3 months after the invoice date.

Transactions Greater Than $5,000

An additional sample of transactions over $5,000.00 was selected and the supporting backup documentation was reviewed for compliance with P-Card rules. The following exceptions were noted:

- Four transactions had no procurement method documented in the Oracle iExpense justification field.
- Two transactions using a term contract had the contract name, assigned contract number, and expiration date missing from the Oracle iExpense justification field.
- One transaction did not have three competitive quotes shown in the backup invoice documentation and the quote amounts were not entered into the justification field.

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.). The Audit Team reviewed the supporting documentation for a sample of these purchases and no inappropriate weekend or big box retail purchases were identified. There were several other exceptions noted:

- Two receipts/invoices did not have the iExpense report # written on them as required.
- One receipt/invoice did not have the employee ID # written on it as required, and the item description was unclear as to what was purchased.