



Audit of
Water and Wastewater Services
Purchasing Card Usage and
Operational Practices

Office of the County Auditor

Audit Report

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September 30, 2021



OFFICE OF THE COUNTY AUDITOR

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September 30, 2021

Honorable Mayor and Board of County Commissioners

Pursuant to our Annual Audit Plan, we conducted an Audit of Water and Wastewater Services Purchasing Card (P-Card) Usage and Operational Practices. Our audit objectives were to determine whether P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations and to determine whether the procedures and controls over work order and inventory systems are adequate.

We conclude that P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations, and we conclude that procedures and controls over work order and inventory systems are adequate. Opportunities for Improvement are included in this report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by the Water and Wastewater Services Division throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Monica Cepero, Deputy County Administrator
Trevor Fisher, Acting Director, Public Works Department
Alan Garcia, Director, Water and Wastewater Services Division

Broward County Board of County Commissioners

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INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of Water and Wastewater Services Purchasing Card (P-Card) Usage and Operational Practices. Our audit objectives were to determine whether:

- 1) P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations.
- 2) The procedures and controls over work order and inventory systems are adequate.
- 3) Any Opportunities for Improvement exist.

To determine whether P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations, we tested a sample of transactions performed by 13 P-Card holders with the highest purchase amounts and other judgmentally selected transactions. Our review included, but was not limited to, the existence of proper supporting documentation, the use of master agreements and competitive pricing, and the evaluation of appropriate business purpose. We also reviewed P-card assignments and cancellations.

To determine whether the procedures and controls over work order and inventory systems are adequate, we tested asset tracking and tagging processes (where required) and performed on-site observations of purchased assets. In addition, we reviewed work order system and warehouse usage, and inventory distribution processes.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was from October 1, 2017 through April 30, 2020. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations, and we conclude that procedures and controls over work order and inventory systems are adequate. Opportunities for Improvement are included in this report.

Background

Water and Wastewater Services (WWS) is an enterprise fund that provides safe drinking water for 59,000 customers, regional wastewater services for over 600,000 residents, and storm water and canal services that support aquifer recharge and flood management throughout Broward County. WWS operates within the Public Works Department, and is responsible for planning, construction, operation, maintenance, customer service, water management, and financial management of water and wastewater services within Broward County. As shown in **Figure 1**, WWS has five sections with a total budget of approximately \$116 million for Fiscal Year 2021.

Figure 1 – WWS Budget for Fiscal Year 2021

Administration	\$ 7,624,280
Information Technology	6,327,970
Engineering	2,343,000
Business Operations	10,948,370
Water & Wastewater Operations	75,472,660
Reserves	12,893,870
Total	\$ 115,610,150

Source: Broward County Fiscal Year 2021 Adopted Operating Budget

Purchasing Cards

A Purchasing Card (P-Card) is a credit card designed to provide County employees with an efficient and reliable way to make non-recurring, low dollar purchases. WWS assigns P-Cards to personnel to facilitate the purchase of equipment and supplies necessary to maintain WWS's

assets. P-Card transactions at WWS totaled \$5,075,039 during the audit period of October 1, 2017 to April 30, 2020.

General P-Card Transaction Processing

According to the Purchasing Card Program Policies and Procedures Manual revised July 16, 2018, P-Cards can be used for single purchases up to \$3,500 (including all associated costs such as shipping and handling), unless a transaction limit increase is approved by the Purchasing Division Director. The program's policies and procedures also limit total transactions to \$6,000 per day and \$20,000 per month.

P-Card Program Participant Responsibilities

The Purchasing Division's P-Card Administrator is responsible for the overall administration and oversight of the P-Card Program, including:

- ❖ establishing and maintaining P-Card Program policy and procedural guidance for agency participants;
- ❖ serving as the primary contact between the County and the Bank;
- ❖ providing training for P-Card Program participants;
- ❖ providing support to participating agencies;
- ❖ suspending P-Card Holder (see role description below) privileges when P-Card Holders and/or P-Card Approvers (see role description below) fail to comply with P-Card Program policies and procedures;
- ❖ cooperating with audit and investigative authorities with respect to identifying and mitigating suspected, alleged, or confirmed instances of waste, fraud or abuse related to the P-Card Program;
- ❖ conducting routine quarterly transaction reviews and investigations of potential P-Card violations and issuing the appropriate sanctions;
- ❖ providing quarterly transaction reports to the Office of the County Auditor, identifying all individuals whose P-Cards have been revoked and/or reinstated.

The Director of each participating agency is responsible for a thorough review of monthly expenditures, ensuring all transactions conform to the policies and procedures. Roles within divisions include a P-Card Coordinator, Approver, and Holder. **Figure 2** shows a brief description of the responsibilities of each role.

Figure 2
P-Card Program Roles with Descriptions

P-Card Coordinator
P-Card Coordinators are designated by each agency's Director to manage P-Card Program activities, in cooperation with the Purchasing Division. They are responsible for requests to the Purchasing Division for new P-Card orders, cancellations, reinstatements, name changes, approver changes, and alerting the P-Card Administrator to cancel or transfer an account when a Card Holder is leaving the participating agency.
P-Card Approver
P-Card Approvers are responsible for ensuring Card Holder compliance with requirements of the P-Card Program and ensuring that Card Holders enter the correct budget line item number, and attach receipts and supporting documentation in PeopleSoft.
P-Card Holder
P-Card Holders are responsible for a diligent review of all P-Card transactions to ensure that all transactions conform to policies and procedures, including ensuring the use of established and authorized procurement contracts and providing appropriate supporting documentation for each purchase.

Source: Prepared by the Office of County Auditor with information obtained from the Purchasing Card Program Policies and Procedures Manual revised July 16, 2018.

Each P-Card Holder must complete training and sign an agreement to abide by all P-Card policies and procedures. The County maintains a zero-tolerance policy for personal purchases using the P-Card. Personal use of the P-Card for any reason may result in immediate revocation of P-Card privileges.

Parts, Supplies, and Equipment Management

The Business Operations Section at WWS maintains a warehouse to store parts, equipment, and supplies. There is one Supervisor and four Storekeeper positions that manage the inventory.

Storekeepers purchase parts, equipment and supplies for WWS personnel. These items are usually purchased with a P-Card or using a purchase requisition, depending on the dollar value of the items ordered. Items purchased by the Storekeeper are stored in the warehouse until picked up by WWS personnel.

WWS P-Card Holders are also allowed to purchase parts, equipment and supplies using individually assigned P-Cards. Most of these items are shipped to, or picked up directly by, the P-Card Holder and placed into operation.

Asset Tracking

Equipment over \$5,000 and closely controlled assets (computers) are required to be tracked, tagged, and reported within the centralized accounting system. Items below \$5,000 are not required to be asset tagged or tracked within the centralized accounting system but should be tracked at the agency level through a work order system (see section below) or other asset tracking system. Prior to October 1, 2020 and during our audit period, these thresholds were \$1,000.

Inventory

County Policy requires that inventory amounts greater than \$25,000 at year-end are recorded as assets on the County's financial statements. It is the responsibility of each agency director to ensure that inventory is properly recorded. Agencies must conduct an annual physical inventory of all significant materials and supplies. As of September 30, 2020, inventory at WWS was valued at approximately \$10 million.

Work Order System

WWS uses a computer work order system (Maximo) to assign tasks to employees, record and track hours and materials used, and monitor completion status of assigned tasks.

WWS P-Card Transaction Analysis

We obtained a transaction file of all P-Card purchases during the period October 1, 2017 to April 30, 2020. The file contained 13,063 transactions totaling \$5,075,039 in purchases by 110 employees. We judgmentally selected 13 P-Card Holders with the highest purchase amounts and performed a statistical sample of transactions for each of the P-Card Holders. For these P-Card Holders, we reviewed approximately 885 transactions totaling \$539,122 in purchases. We also tested additional judgmental samples of transactions pertaining to three additional employees, three vendors, and one product type.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Greater Oversight is Needed Over P-Card Purchases to Prevent Circumvention of the Procurement Process and Inappropriate Purchases

We identified a consistent effort by one P-Card holder to circumvent the County procurement process which included transaction splitting to stay within single transaction limits and using their P-Card to pay for a \$25,227 project with no evidence of competitive procurement or contract. We also identified transactions among multiple sampled P-Card holders that were approved without adequate supporting documents. We identified the following specific concerns:

- A. A P-Card holder circumvented the procurement code by splitting transactions to stay within single transaction limits. We identified six unique purchases totaling \$51,403 that appear to be 'split' among 26 transactions by one P-Card holder in an apparent effort to circumvent the purchasing limits established in the Procurement Code. These purchases are shown in **Figure 3**.

Figure 3 – Splitting Transactions

Unique Purchase	Purchase Date	Items Purchased	Amount
1	5/31/2018	24 Computer Monitors	\$ 3,360
	6/9/2018	14 Computer Monitors	3,500
	6/15/2018	2 Computer Monitors	500
	6/18/2018	30 Soundbars	600
	Sub-Total	40 Monitors and 30 Soundbars	\$ 7,960
2	5/11/2019	6 Broadcom Dual Port Adapters	\$ 1,465
	5/12/2019	6 Broadcom Dual Port Adapters	2,043
	5/22/2019	6 Broadcom Dual Port Adapters	2,043
	5/29/2019	6 Broadcom Dual Port Adapters	2,176
	Sub-Total	24 Broadcom Dual Port Adapters	\$ 7,726
3	5/23/2018	5 Scanners, Canon DR-C240	\$ 2,980
	5/23/2018	3 Scanners, Canon DR-C240	1,788
	Sub-Total	8 Scanners	\$ 4,768
4	8/8/2018	1 Scanner, Canon DR-C240	\$ 596
	8/9/2018	3 Scanners, Canon DR-C240	1,788
	8/9/2018	2 Scanners, Canon DR-C240	1,192
	8/9/2018	2 Scanners, Canon DR-C240	1,192
	Sub-Total	8 Scanners	\$ 4,768
5	2/12/2019	2 Scanners, Canon DR-C240	\$ 1,218
	2/13/2019	4 Scanners, Canon DR-C240	2,436
	Sub-Total	6 Scanners	\$ 3,654
6	10/23/2017	12 audio/video cables	\$ 480
	10/24/2017	Labor, repair 5 cameras, replace existing camera, 2 days labor to repair hurricane affected cameras	2,090
	10/27/2017	108 Fiber patch cables	3,456
	11/6/2017	Labor / Conduit to repair cameras	2,305
	11/13/2017	48 HDMI cables	816
	11/28/2017	Labor / Replace install 8 cameras	3,485
	11/29/2017	12 16" USB	336
	12/11/2017	16 hrs. approx. labor, misc. parts	3,250
	1/9/2018	Labor and parts, 1/2 day	2,859
	1/16/2018	Labor and parts, 1/2 day	3,450
Sub-Total	Purchase, Repair, and Installation of Surveillance Camera Systems	\$ 22,527	
Total			\$ 51,403

Source: Auditor obtained invoices from PeopleSoft.

Purchases 1 through 5 should have utilized existing master agreements as further addressed in Opportunity for Improvement No. 2. Purchase 6 contains additional competitive procurement issues and is further addressed in Section B below.

These purchases show a consistent effort to circumvent the County procurement process. We did not find any evidence that the P-Card Approver questioned these transactions during the P-Card transaction approval process.

Splitting is prohibited by Section B.2.h. of the P-Card purchasing manual, which states the following:

“Splitting of purchases to circumvent the \$3,500 single transaction limit is prohibited and will result in immediate revocation of the card. A purchase may be made of multiple items, but the total charge cannot exceed \$3,500 including shipping, handling and any other charges related to the transaction. Known purchases over \$3,500 must be made using other competitive procurement methods, unless provided approval by the Director of Purchasing to increase the P-Card threshold to allow for completion of the P-Card purchase.”

Failure to establish adequate procedures to prevent or detect the unauthorized practice of splitting transactions to circumvent P-Card transaction limits is a violation of the P-Card Program, bypasses the competitive procurement process for larger dollar value purchases, and may contribute to the use of P-Cards for purchases at unreasonable prices.

- B. A surveillance camera repair and installation project totaling \$25,227 was paid entirely using a P-Card by one employee with no evidence of competitive procurement or contract. According to the employee, a vendor, Wholesale Computers and Technology, was selected to re-wire and repair and replace security cameras at several WWS locations.

The employee was unable to provide any evidence of solicitation or quotes and the vendor was not on an approved County vendor list. For purchases below the mandatory bid amount (\$50,000 prior to April 1, 2019 and \$100,000 after April 1, 2019), agencies are required to submit a purchasing requisition through the Purchasing Division and obtain and retain informal quotations. According to the employee, the work was needed on an expedited basis due to recent damages caused by lightning.

The employee used his P-Card to pay 13 invoices from October 23, 2017 through September 5, 2018, totaling \$25,227. (As previously addressed and shown in **Figure 3**, ten of the invoices were paid within the first 12 weeks of the project totaling \$22,527

indicating splitting of transactions to stay within single transaction limits in an apparent effort to circumvent the purchasing limits established in the Procurement Code.) **Figure 4** below shows the transactions in date order:

Figure 4 – Wholesale Computers and Technology Purchases

Purchase Date	Items Purchased	Amount
10/23/2017	12 audio/video cables	480
10/24/2017	Labor, repair 5 cameras, replace existing camera, 2 days labor to repair hurricane affected cameras	2,090
10/27/2017	108 Fiber patch cables	3,456
11/6/2017	Labor / Conduit to repair cameras	2,305
11/13/2017	48 HDMI cables	816
11/28/2017	Labor / Replace install 8 cameras	3,485
11/29/2017	12 16" USB	336
12/11/2017	16 Hours approximate labor, misc. parts	3,250
1/9/2018	Labor and parts, 1/2 day	2,859
1/16/2018	Labor and parts, 1/2 day	3,450
8/21/2018	2 cameras	1,100
8/28/2018	Labor - Time/Materials to install 2 cameras	1,400
9/5/2018	Conduit, fittings, glue, hardware	200
Total		\$ 25,227

Source: Auditor obtained invoices from PeopleSoft.

Invoices lacked adequate descriptions and itemization of materials and parts. The invoices did not provide detail of labor hours billed, price per labor hour, and specific parts purchased. Many invoices did not separate parts and labor costs at all and provided little description of labor involved. For example, one invoice contained a single un-itemized charge of \$3,485 with the description “Parts and labor to replace/install 8 cameras, 2-Man project. Price includes boxes/flex conduit/connectors, etc.” Other invoices also contained single un-itemized charges of combined parts and labor with added descriptions such as “approximately 16 hours total time” or “approximately ½ day onsite”. Parts and material descriptions lacked itemization and model numbers.

We also noted inconsistencies among the payment support. Two were labeled “Sales Order” whereas the other ten were labeled “Invoice.” Eight listed the “P.O. No.” field as the employee’s name and the remaining five left the field blank. Others listed a shipping

address in the “Ship to” field but stated “Pick Up” in “Ship Via” field. **Figures 5 and 6** show two invoices as examples:

Figure 5 – Wholesale Computers and Technology Invoice

WHOLESALE COMPUTERS AND TECHNOLOGY, LLC
5784 POWERLINE ROAD
FT LAUDERDALE, FL 33309

Invoice

Date	Invoice #
8/28/2018	7840

PAID
08/28/2018

Bill To
BROWARD COUNTY WATER & WASTEWATER SERVICE
INFORMATION TECHNOLOGY DIV.
2555 W. COPANS ROAD
POMPANO BEACH, FL 33069

Ship To
BROWARD COUNTY WATER & WASTEWATER SERVICE
INFORMATION TECHNOLOGY DIV.
2555 W. COPANS ROAD
POMPANO BEACH, FL 33069

P.O. No.	Terms	Ship Via	Rep
	VISA / MC	PICK UP	PM

Qty	Item	Description	Rate	Amount
1	LABOR	LABOR TIME AND MATERIALS TO INSTALL 2 SAMSUNG CAMERAS	1,400.00	1,400.00
Total				\$1,400.00

Phone #	954 633-5353
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Source: WWS employee provided (was not included in PeopleSoft).

Figure 6 – Wholesale Computers and Technology Invoice

WHOLESALE COMPUTERS AND TECHNOLOGY, LLC
 5784 POWERLINE ROAD
 FT LAUDERDALE, FL 33309
 Phone # 954 633-5353

Sales Order

Date	S.O. No.
1/16/2018	6043

Name / Address BROWARD COUNTY WATER & WASTEWATER SERVICE [REDACTED] INFORMATION TECHNOLOGY DIV. 2555 W. COPANS ROAD POMPANO BEACH, FL 33069	Ship To BROWARD COUNTY WATER & WASTEWATER SERVICE [REDACTED] INFORMATION TECHNOLOGY DIV. 2555 W. COPANS ROAD POMPANO BEACH, FL 33069
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Terms	P.O. No.	Rep	Ship Via
VISA / MC	JAY ROYER	PM	PICK UP

Item	Ordered	Description	Rate	Amount
SPECIAL ORD		PARTS AND LABOR TO MOUNT BOX AND MOVE EQUIPMENT IN BUILDING 9 IN NEW ROOM APPROXIMATELY 1/2 DAY ONSITE	3,450.00	3,450.00
Total				\$3,450.00

Source: Auditor download from PeopleSoft.

The employee provided explanations as to the work performed and showed us the locations and equipment installed. However, without appropriate procurement and adequate payment support, it is unclear whether the work was competitively priced, all

services were received, and if standard safeguards typically involved in a competitive procurement were in place such as warranties on work performed and whether the vendor was adequately licensed and insured.

- C. Transactions were approved without adequate supporting documents. We noted 68 transactions (58 of 885 (7%) sampled transactions totaling \$58,983 as well as 10 additional judgmentally selected transactions) with at least one of the following issues:
- lack of description or itemization showing what was purchased,
 - payment receipt only (a credit card slip) but no invoice or other document indicating what was purchased,
 - illegible invoice,
 - invoice scanned as backup covered up by a credit card receipt or other document, or
 - no attached documents.

Staff were generally able to provide us with the necessary documents through files stored outside of Peoplesoft or by obtaining the documents from the vendor; however, the approval of these items without adequate documentation indicates insufficient review by P-Card Approvers. **Figures 7 through 10** represent examples of these invoices:

**Figure 7 - Inadequate Supporting Documentation
Payment Receipt Only but no Invoice**

<p>MOTPlans.com 631 NE 45 ST Oakland Park FL, 33334 P: 954-560-0450</p>	<p>RECEIPT</p> <p>Receipt #: 65185 Date: 2/11/2020 11:20:00 AM EST User: mot5822</p>
<p>Transaction Information:</p> <p>Card Type: Visa Card Number: *****5578 Status: Success Transaction Type: Sale Amount: \$609.00 Bank Response: Card Entry Method: Keyed Settled: \$609.00</p>	
<p>If you have any questions concerning this receipt, contact sattya@motplans.com.</p>	

Source: Auditor download from PeopleSoft.

**Figure 8 - Inadequate Supporting Documentation
Lack of Description of What was Purchased**

Invoice Header									
Cost Nbr.	Invoice Nbr	Cost PO.	Invoice Amt.	Material Amt.	Tax Amt.	Freight Amt.	Reel Amt.	Other Amt.	Ship-To
009658	540108884	JAY 195821	372.00	372.00	0.00	0.00	0.00	0.00	BROWARD COUNTY BOARD OF COMMISSIONERS PO BOX 14740 FORT LAUDERDALE, FL 33302
Trans Code	Order	Carrier		Freight Bill Nbr	Billing Date	Ship Date			
WC40	54084680	WILL CALL/PICK UP		JAY	0/5/2010	0/5/2010			
Ship Loc	Sales Rep	Payment Terms	Freight Terms	Project Number	Tax Number	Weight	Pieces		
540	3P	CHARGE	WILL CALL		STATE EXEMPT	0	0		

Invoice Detail							
Line	Item Nbr	Vendor Item Nbr	Vendor	Vendor PO Nbr	Billed Qty	Material Amt	Cost PO Line
01	10-54084680-01	842-LL2-002	QUICKTRON	991-806256-540	12	372.00	
Total:						372.00	USD

1 matching record(s) found

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Source: Auditor download from PeopleSoft.

**Figure 9- Inadequate Supporting Documentation
Illegible Invoice**

BROWARD BOLT		1560 North Powerline Road Pompano Beach, FL 33069 Sales 954-960-1740 Acct. 954-960-1017 Fax 954-960-0328		www.broward-bolt.com		SALES ORDER		No. 107090	
SHIP TO: <i>Broward County for the ...</i>				BILL TO:		PAGE 1 OF 2		<input checked="" type="checkbox"/> OPEN ACCOUNT	
								<input type="checkbox"/> COD	
								<input type="checkbox"/> PREPAID	
ORDER DATE		SHIP DATE		SPOKE TO		PHONE NUMBER		PURCHASE ORDER NUMBER	
				<i>George</i>		<i>9-831-0796</i>			
QUANTITY		B.O.		ITEM NUMBER		DESCRIPTION		UNIT PRICE	
ORDERED	SHIPPED							U/M	
10	10					<i>5/16 x 1/2 H x 1/3 sh</i>			
25	25					<i>5/16 Hw</i>			
25	25					<i>5/16 nuts</i>			
25	25					<i>3/8 x 1/4 H x 1/3 sh</i>			
10	10					<i>3/8 nuts</i>			
25	25					<i>3/8 Hw</i>			
25	25					<i>3/8 x 1/4 H x 1/3 sh</i>			
25	25					<i>3/8 x 5/16</i>			
25	25					<i>3/8 Hw</i>			
10	10					<i>1/2 - 20 x 4 H x 1/3 sh</i>			
25	25					<i>1/2 - 20 nuts</i>			
10	10					<i>3/4 nuts</i>			
SHIPPING INFORMATION				SPECIAL INSTRUCTIONS				SUBTOTAL	
								SALES TAX	
								FREIGHT	
								AMOUNT DUE	
20% Re-stock charge on returns				Received by		Date			

Source: Auditor download from PeopleSoft.

**Figure 10 - Inadequate Supporting Documentation
Lack of Description of What was Purchased**

7/13/2020 Ticket

From: Noreply@Triumvirateenvironmental.com
Sent: Friday, March 02, 2018 12:28 PM
To: [Redacted]
Subject: Your Receipt

Triumvirate Environmental FL
3701 SW 47th Ave STE 109
Davie Florida 33314
6177159018

Customer Information:
Street: FL
Zip Code: 33301

Transaction Information:
Sale
Date: 03/02/2018 12:27:33
Amount: \$243.00
Card Number: *****4901
Merchant ID: 12722624
Auth. Code: 083390
Processed As: VISA
Reference No.: 1549239719
Trace No.: 001549239719
Device ID.: N/A
Invoice No.: D260575
Response Msg.: Approved
Entry Method: Manual
P.O. Number:

Cardholder:
[Redacted]

file:///C:/Users/loti/Downloads/RNICODEMUS2018-03-06-14.36.02.244TRIUMVERATE (1).htm 1/2

Source: Auditor download from PeopleSoft.

The P-Card Program Manual requires P-Card Holders to keep complete and accurate records of P-Card purchases, including maintaining physical or electronic copies of receipts. It also requires P-Card Approvers to review the receipts and determine its valid business purpose. Failure to properly maintain, review and approve adequate supporting documentation of P-Card transactions may result in inappropriate purchases and allow fraudulent transactions to go undetected.

We recommend management:

A and B

1. Take any appropriate disciplinary actions for employee and approver involved in splitting.
2. Ensure appropriate procedures are implemented for approvers to identify split transactions.

3. Work with the Purchasing Division to periodically perform analytics to prevent or detect the unauthorized practice of splitting transactions.
- C1. Ensure P-Card Holders comply with the Purchasing Card Program Manual by submitting detailed, complete, and accurate vendor invoices or receipts.
- C2. Ensure P-Card Approvers are held accountable to perform adequate review and ensure required supporting documentation is included prior to approval of transactions.
- C3. Ensure transactions lacking adequate support be disputed and referred to the P-Card Holder for follow-up and resolution before approval.

2. Master Agreements Should be Established and Consistently Used When Available.

Procurement contracts (Master Agreements) negotiated to secure favorable pricing were not established or used when available. We noted the following:

- A. We identified 15 vendors with high volume, high dollar transactions (2,529 P-Card purchases totaling \$741,000) from which there were no Master Agreements. Based on the transaction volume, total dollar amount, and nature of the transactions, these types of purchases should be made from other vendors with existing Master Agreements or Master Agreements should have been established with these vendors. These transactions are summarized in **Figure 11**.

Figure 11 – Purchases from Vendors Without Master Agreements

	Vendor	Transactions	Amount
1	Freightquote	18	\$ 15,271
2	Zoro Tools Inc.	63	17,589
3	USA Blue Book	46	19,962
4	Green Thumb Lawn & Garden	51	20,629
5	Wurth USA Inc.	15	22,538
6	Broward Bolt	169	25,900
7	Miller Bearing / Motion Industries	82	29,929
8	Alro Steel	86	33,759
9	NAPA	163	37,792
10	Lowes	152	39,992
11	UFirst Laundry Services / UniFirst Corporation	250	44,801
12	Ritz Safety Supplies	131	56,246
13	Industrial Hose Hydraulic	287	100,718
14	Gartner Inc.	12	103,053
15	Amazon	1,004	172,860
Total		2,529	\$ 741,039

Source: WWS P-Card purchases from October 1, 2017 through April 30, 2020 downloaded from PeopleSoft.

Many of the purchases are for items where existing Master Agreements were already in place with another vendor carrying the same product types and should have been used. To determine whether purchased products were available on other Master Agreements, we selected a sample of 35 transactions and compared them to existing Master Agreements in place for those product types. Based on the sample selected, 15 (43%) transactions were for products available on existing Master Agreements and should have been purchased from the existing Master Agreements. The remaining 20 (67%) transactions were not available on existing Master Agreements. For purchased items where a Master Agreement was not in place, Master Agreements should be established. Failure to purchase using a Master Agreement or Procurement Contract where one exists for the required commodity or service is a prohibited P-Card use.

- B. We identified 9 vendors with high volume, high dollar transactions (1,804 P-Card purchases totaling \$633,904) which did have Master Agreements, but the Master Agreements were generally not used for the purchases. To determine whether purchases were made under existing Master Agreements, we selected 1 to 5 transactions from each

of the 9 vendors for a total of 20 transactions and compared the purchases to the Master Agreements. We noted that the purchased items could not be readily identified on the Master Agreement and/or the existing Master Agreement was not approved for P-Card use. We also noted no contract number referenced in the transaction in Peoplesoft. We requested the assistance of WWS Management who reviewed the purchases and confirmed that the Master Agreements were generally not used. These transactions are summarized in **Figure 12**.

Figure 12 – Purchases Where the Existing Master Agreements Should Have Been Used.

	Vendor	Transactions	Amount
1	Hach Company	29	\$ 18,334
2	Harrington Industrial Plastics	24	23,515
3	Tencarva Machinery / Hudson Pump & Equipment	27	33,483
4	Dell	31	45,570
5	X Terminator	209	73,711
6	Ferguson	130	89,423
7	Core & Main	142	101,137
8	Thermo Fisher Scientific (TFS)	205	115,666
9	Home Depot	1,007	133,065
Total		1,804	\$633,904

Source: WWS P-Card purchases from October 1, 2017 through April 30, 2020 downloaded from PeopleSoft.

We further identified the following specific concerns:

1. Purchases from Thermo Fisher Scientific (TFS) do not appear to be competitively priced, and the P-Card holder responsible for most of the purchases (154 transactions totaling \$79,944) acknowledged having never seen the Master Agreement or comparing the price of items purchased to the Master Agreement.

According to the P-Card holder, the County has encouraged the use of a master agreement that was negotiated with TFS by the State of Florida. The P-Card holder indicated that they use an account log-in when ordering from the company but acknowledged they have never seen the agreement and do not know who is responsible for making sure the pricing paid is in accordance with the master agreement.

We performed a judgmental sample of 17 items purchased and found that 15 were available at lower prices and two were not comparable (no on-line price found).

Figure 13 shows examples of items purchased as compared to searches of similar items sold by on-line retailers.

Figure 13 – TFS Price Comparisons

	Invoice Description Per PeopleSoft	Item Selected from Invoice	Invoice Price	Market Price	Price Variance
1	"Reagents and Chemicals, Ultrapure (Meeting Higher Standards)"	"502.2 Calibration Standards #2"	\$108.41	\$43.00	\$65.41 (60%)
2		"Sulfuric Acid SOL N/5 CERT 1L"	\$121.18	\$85.00	\$36.18 (30%)
3		"6020 TER Check SOL A 00ML602"	\$536.19	\$152.00	\$384.19 (72%)
4	"Laboratory Equipment, Accessories and Supplies: General Anal"	"Peristaltic Pump Tubing"	\$114.55	\$58.00	\$56.55 (49%)
5		"Dionex IonPac As 18-4um Analytical Column (4x30mm)"	\$450.84	\$416.02	\$34.82 (8%)
6	"Bottles and Accessories, Plastic, Cylindrical Style, HDPE"	"NALE 250ML NAT W/M BPC 250/CS"	\$436.60	\$143.00	\$293.60 (67%)

Source: Invoices downloaded from PeopleSoft compared to online searches.

We shared the results with the P-Card holder who stated that the County has come to rely on the quality of TFS instruments and replacement parts/consumables to ensure the needed testing standards are adhered to; some items noted in the analysis are not comparable as their associated replacement parts/consumables are proprietary and need to procure from the same manufacturer as the original instruments they are associated with; supplies used need to meet specific requirements and, in some cases, requires certifications to ensure it will perform its intended purpose correctly; and for those manufacturers that make aftermarket parts that may indeed work, even though they may be cheaper, their order fulfillment times are too slow for the County’s needs. These may be appropriate reasons for using the existing vendor; however, greater familiarity with the existing Master Agreement and competitive pricing should be performed. Opportunities may exist to negotiate better pricing from the current vendor or find alternative suppliers that can meet the above stated needs.

2. A P-Card was inappropriately used to cover an additional \$1,498 of unanticipated costs pertaining to a \$7,399 purchase from Dell for a total project cost of \$8,897. Two P-Card payments to Dell totaling, \$1,498, pertained to an 86" interactive touchscreen monitor installed in a training room. However, these payments were in addition to \$7,399 already paid to Dell under a different (non-P-Card) purchase for work outlined within a Dell "Statement of Work." According to the P-Card holder, the \$7,399 "Statement of Work" did not include necessary installation and installation materials; therefore, the additional services were paid with the P-Card rather than through the original procurement using the Master Agreement.

In addition, although the initial \$7,399 project cost was not paid by P-Card and would have been an appropriate use of the Dell Master Agreement, it was approved by the P-Card holder using a Dell "Statement of Work" rather than approved by the authorized contract administrator using a required County "Work Authorization." The agreement gives authority to the Contract Administrator to execute a Work Authorization up to \$30,000. The "Statement of Work" was signed by the P-Card holder who is not a Contract Administrator.

Since master agreements with these vendors do exist, they should have been used for these purchases in accordance with County purchasing requirements.

- C. Master Agreements with wireless service and cable providers need to be further developed and used. WWS paid \$278,250 using P-cards during the audit period to AT&T, Sprint, and Verizon for wireless services such as phone and remote data units but did not use existing Master Agreements. The existing agreements for wireless data providers do not include most of the services used by WWS. The County utilizes the State of Florida contract with Suncom Telecommunications Services for wireless services provided by AT&T, Sprint, and Verizon (Suncom Agreements). We compared charges of six AT&T, Sprint, and Verizon invoices to the Suncom Agreements and found that 14 of 18 (78%) charges within the invoices were not found in the Suncom Agreements. For the four charges covered by the Suncom Agreements, one was charged at 2.6% less than the agreement, one was charged at 2.5% less than the agreement, one was charged 8.9% more than the agreement, and one was charged at the same price as the agreement. WWS also paid \$55,414 during the audit period to Comcast for cable services; however, neither of the two Comcast accounts tested were opened using the existing Master Agreement. A comparison of two Comcast invoices to the Master Agreement identified a \$50 overpayment of a one-time installation fee and a monthly overpayment of \$8.29 in sales tax.

P-Card approvers and P-Card holders are not always aware of existing master agreements or their responsibility to use them. Improved maintenance of existing Master Agreement lists and expenditure analysis is needed to better utilize Master Agreements. We found that the Purchasing Division and WWS lack coordinated, user friendly resources for P-Card holders to identify Master Agreements from where to make purchases. Purchasing maintains a list of Master Agreements approved for P-Card use; however, the list does not provide easy direction or look-up to find a particular item such as a part or other supply. The list also contains inconsistencies when compared to Purchasing's lists of all agreements. For example, the Home Depot master agreement was incorrectly listed as "Restricted Use" for another agency and not open to all agencies. Likewise, WWS does not maintain a list of preferred or common Master Agreements specific to WWS for P-Card holders to use. We also found that analysis of purchasing trends and identification of needed Master Agreements by WWS is limited. WWS staff do not access reports of detail P-Card transactions and, therefore, do not perform sufficient monitoring of purchasing trends. Such analysis would facilitate where purchases are being made and in what quantities and amounts so that appropriate Master Agreements can be developed.

We recommend management implement appropriate procedures to ensure purchases are made using Master Agreements wherever one exists and establish Master Agreements where needed to cover frequent purchases including:

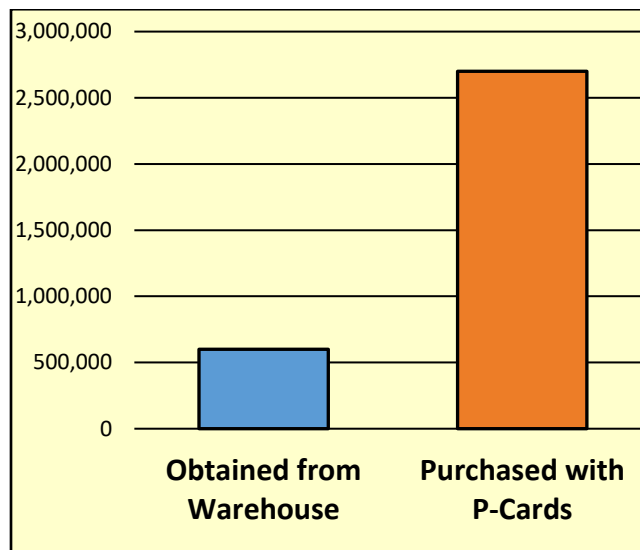
- A. Update Master Agreement lists and develop and communicate Master Agreement information to all P-Card approvers and P-Card holders.
- B. Update processes to enhance knowledge of Master Agreements and monitoring of transactions to ensure the appropriate use of master agreements, including:
 - Review and approval of purchases for use or non-use of master agreements to be part of the transaction approval process.
 - Re-enforce County policies and training to ensure updated contract information and changes in Purchasing requirements are applied.
 - Entry of Master Agreement contract numbers in PeopleSoft by the P-Card holder for each purchase made.
- C. Management access to Peoplesoft P-Card transactions and implement a transactional review process to include:
 - Monitoring of transactions for trends.
 - Ensuring compliance with master agreement use.

- Consideration for potential Master Agreements with highly used vendors that do not currently have an agreement in place or allowing P-Card purchases for existing Master Agreements.

3. WWS Should Utilize Materials and Parts Available From the Warehouse and Place Less Reliance on Purchasing Materials Using P-Cards.

WWS staff do not adequately utilize the warehouse to obtain materials and parts and instead rely on P-Card purchases. We found that approximately \$600,000 of materials and parts were obtained from the warehouse as compared to \$2,700,000 of materials and parts purchased on P-Cards during the audit period as shown in **Figure 14**.

Figure 14 – Warehouse Usage Compared to P-Card Purchases



Source: P-Card purchases for materials and parts obtained from PeopleSoft from October 1, 2017 through April 30, 2020 and warehouse data obtained from WWS management.

This shows a low usage of the warehouse as compared to P-Card purchases.

To determine the \$600,000 of materials and parts obtained from the warehouse, we reviewed a report of warehouse issuances from the Maximo Work Order and Inventory system. To determine the \$2,700,000 of materials and parts purchased with P-Cards, we reviewed transaction data within Peoplesoft for all \$5,075,039 of P-Card purchases during the audit period and identified the \$2,700,000 of transactions which would be items that could be reasonably obtained through the warehouse.

Materials and parts should be obtained primarily through the warehouse rather than purchased by individual P-Cards. The warehouse provides centralized purchasing subject to greater safeguards and controls. Advantages of purchasing through the warehouse include centralized purchasing, volume discounts, greater likelihood of adhering to Master Agreements, more accountability for materials usage by ensuring that distributions are properly coded to a work order, reduced staff time and transportation costs in acquiring materials.

Many P-Card purchases also incur additional staffing time and related costs. We found that purchases from stores such as Home Depot, Lowes and other local retailers are generally in-store (rather than order and delivery) purchases. Each of these types of transactions reflects staffing costs to travel, pick-up, and, in some cases, shop for the materials. There were 1,159 transactions for Home Depot and Lowes alone, totaling \$173,057.

Some materials, otherwise available in the warehouse, may need to be acquired using P-Cards due to after hour emergency work or unanticipated needs at offsite locations. However, these purchases should be the exceptions and not the norms.

We recommend management make efforts to ensure materials are obtained through the warehouse and place less reliance on decentralized P-Cards purchases. Such efforts may include:

- A. Additional monitoring of P-Card purchases and, when appropriate, re-directing staff to obtain materials through the warehouse.
- B. Ensuring the warehouse is adequately stocked to timely fulfill staff requests for materials.
- C. Limit necessity of in-store purchases and emergency purchases through job planning and consider using warehouse storekeepers to deliver needed materials to off-site jobs.

4. WWS Should Review P-Card Holder Card Usage Periodically and Consider Reducing the Inactive P-Cards.

A significant number of employees hold P-Cards. We identified 87 (21%) out of 408 WWS employees that held P-Cards as of May 2020. **Figure 15** shows the number of P-Card holders by section.

Figure 15 – P-Card Holders by Section

Administration	1
Information Technology	8
Engineering	4
Business Operations	19
Water & Wastewater Operations	55
Total	87

Source: Office of the County Auditor analysis of assigned P-Cards

Of the 87 P-Card holders, 46 (53%) accounted for only 9% of the total expenses charged. This lower usage may indicate less of a need for some employees to be assigned P-Cards.

Purchasing cards should be limited to personnel required to meet immediate business needs. Limiting the number of assigned P-Cards may improve oversight and control. It also encourages use of more centralized procurements such as those made through the warehouse and key individuals with procurement expertise. Purchasing items through the warehouse and key individuals provides greater assurance that items will be properly tracked using established work order and asset tracking systems as opposed to more decentralized purchases. More centralized procurements may also achieve better economies of scale and save time by consolidating individual purchases into single purchases of greater quantities. Key individuals with procurement expertise may also be better equipped to find the most cost competitive items.

An excessive number of P-Card holders could provide opportunities for inefficient or inappropriate procurements. A greater number of active P-Cards creates more opportunities for breach or theft. Decentralized purchases lack additional oversight to ensure purchased assets are properly tracked and monitored, missed opportunities to develop better economies of scale, decreased expertise in researching and identifying the most competitive purchase option.

We recommend management periodically review the need for P-Card holders to retain their P-Cards and ensure current P-Card holders are appropriate and meet immediate business needs.

5. Improved Asset Tracking is Needed to Monitor Costs and Safeguard Against Misappropriation of Assets.

We noted the following:

- A. Seven out of eleven (64%) eligible and applicable items (equipment over \$1,000 or computers) sampled were not asset tagged. These are shown in **Figure 16**.

Figure 16 – Assets not Properly Asset Tagged

	Item	Vendor	Price	Date
1	2 Rolling ladders	Global Industrial	\$3,145	09/2018
2	BL Swiper ½" High Perf. Nozzle	NozzTeq	\$3,324	08/2018
3	20' Storage Container	Blue Line Equipment	\$3,385	02/2020
4-5	2 4k projectors	Amazon	\$3,200	02/2020
6-7	2 computers	Dell	\$1,992	11/2019
7 out of 11 items did not have an asset tag				

Source: Office of the County Auditor summary of tested transactions.

- B. Twenty out of thirty-three (61%) WWS Operations Division P-Card purchases selected for verification were not properly tracked within the work order system or asset tracking system. These include items such as equipment, installations, and repairs that are assignable to specific projects or locations such as a lift station or building as well as non-assignable items such as tools that are held for continuous usage across projects. These do not include items that are otherwise subject to the County’s asset tagging requirements because they are either under \$1,000 or cannot be readily tagged such as a component or part replacement to a piece of equipment. Although these items are not required to be asset tagged, they should be tracked within the work order system or asset tracking system. **Figure 17** shows the 20 items.

Figure 17 – Assets not Properly Tracked

No.	Description	Vendor	Price	Date
Assignable Equipment 5 out of 14 were not assigned to a work order				
1	5 Equipment Rack Enclosures	Amazon	\$2,755	01/2019
2	Actuator Valve	Flowmatic Inc.	\$2,651	06/2018
3	Window Air Conditioning Unit	BrandsMart USA	\$910	06/2018
4	Exhaust Fan	Air Distributor Company	\$1,987	11/2019
5	Electronics charging locker	Global Industrial	\$341	02/2020
Assignable Repair / Equipment 10 out of 11 were not assigned to a work order				
1-6	6 Service Calls for Field Security Fencing and Gate Repair	Bauer Construction / Pedersen Perimeter Security Consulting	\$11,517	01/2019, 04/2019, 11/2019, 02/2020
7	Wood Fence Repair	M&S Fence Specialists	\$1,440	03/2018
8	Underground Gate Valve Repair	Intercounty Engineering	\$2,920	08/2018
9	Security System Card Reader Components	Security Control Systems	\$1,753	03/2018
10	3 Replacement Security Cameras	ComDesign Infrastructure Solutions	\$1,263	03/2019
Assignable Vehicle Repair / Addition 3 out of 3 were not assigned to a work order				
1	Vehicle Ladder rack	House of Ladders	\$656	01/2019
2	Window tinting	Audio & Tint Warehouse	\$200	01/2020
3	2 spare tire packages for utility trailers	Green Thumb Lawn & Garden	\$198	02/2020
Non-Assignable Tool / Equipment for Continuous Usage 2 out of 5 were not assigned to a work order or asset tracking mechanism				
1	Ratchet set, drill bit set	WW Grainger	\$300	04/2019
2	Push mower	Home Depot	\$386	03/2018
Total Twenty out of thirty-three asset purchases were not properly tracked				

Source: Office of the County Auditor summary of tested transactions.

The WWS Operations Division utilizes both work order and asset tracking software; however, P-Card purchases are more likely to not be entered into this software because of the decentralized nature of the P-Card purchases as opposed to items purchased by

and obtained through the warehouse. While 20 out of 33 (61%) WWS Operations Division P-Card purchases selected for verification were not properly tracked within the work order system or asset tracking system, nearly all items obtained through the warehouse were entered into the work order system.

- C. None of the WWS Information Technology (IT) Division P-Card asset purchases selected for verification were properly tracked within a work order or asset tracking system. These do not include items that are otherwise subject to the County’s asset tagging requirements because they are either under \$1,000 or cannot be readily tagged such as a component or part replacement to a piece of equipment. Although these items are not required to be asset tagged, they should be tracked within the work order system or asset tracking system. **Figure 18** shows examples of items selected for verification.

Figure 18 – IT Assets not Properly Tracked

No.	Item	Vendor	Price	Date
1	32 Scanners	Amazon and Amazon Third-Party Vendors	\$18,824	05/2018 – 03/2020
2	56 Battery Backups	Amazon and CDW	\$5,468	06/2018 – 01/2020
3	40 Monitors	Dell	\$7,360	05/2018 – 06/2018
4	24 Broadcom Dual Port Adaptors	Dell	\$7,726	05/2019
5	Surveillance cameras, installations, and repairs	In Wholesale Computers	\$23,395	10/2017 – 08/2018
6	4 TVs and 3 Mounts	Best Buy	\$1,810	02/2020
7	12 10-Terabyte Hard Drives	Amazon	\$3,360	06/2019

Source: Office of the County Auditor summary of tested transactions.

A work order/tracking system for IT purchases, repairs, and asset locations was not in place. According to WWS Information Technology Division staff, a new tracking system (Service Now) was implemented in April 2020, at the end of our audit period, which allows for tracking IT purchases including where and to whom (if applicable) assets are assigned. The system allows for employees to enter a request and budget item code. The items are then ordered and tracked in the system noting who has the asset. Notes can also be added as needed. If an asset breaks, the employee can enter an incident ticket where staff can attempt a repair (noted as a "break/fix"). If the item can't be repaired, notes are added in the system and a request is entered for a new purchase. Specific "disposal" is not tracked but notes can be added to follow the break/fix incident and new order

replacing the item. The old system, Heat, which was in place during our audit period, does not track who receives the items purchased.

Prior to October 1, 2020 and during the audit period, equipment over \$1,000 and closely controlled assets (computers) were required to be tracked, tagged, and reported within the centralized accounting system. The threshold was increased to \$5,000 on October 1, 2020.

Purchases that are not required to be asset tagged or tracked within the centralized accounting system should still be tracked at the agency level to safeguard assets and account for costs (for example, knowing where a purchase is located and/or assigning the cost of a replacement part to the asset it was installed). Assignment and tracking of these costs are important to monitor the overall cost of projects. For example, determining how much has been spent on repairs over time for a vehicle or lift station. Assignment and tracking are also important to safeguard the assets against misappropriation. Some types of assets, including those not subject to the County's requirements for asset tagging, are more prone to misappropriation based on both a combination of value and ease of transport. A typical method of tracking purchases is through the use of a work order or other asset tracking system. A workorder system is a mechanism used to assign assets to specific categories and track costs such as labor.

Although we were able to generally locate all items selected for verification, we could not confirm the exact item due to it being a generic item (tools, computer scanners, etc.), there being a large quantity on site, and/or lack of unique identifier such as serial number or model number. Utilizing a work order / asset tracking system would facilitate tracking a purchase to its location of use.

We recommend management:

- A. Ensure applicable P-Card purchases are adequately asset tagged.
- B. Ensure applicable P-Card purchases are adequately entered and tracked within the work order and/or asset tracking systems.

6. P-Cards Were not Cancelled Timely for Terminated Employees.

P-Cards remained active for three out of 14 (21%) terminated employees. The number of days from the employees' termination dates to the dates WWS notified Purchasing was 18 days, 10 days, and 4 days. Management did not timely request card cancellations for terminated employees.

The Purchasing Card Manual requires the P-Card Agency Coordinators to notify Purchasing immediately upon a P-Card holder's termination. Section F.8 of the Purchasing Card User Manual states "the Agency P-Card Coordinator must immediately notify the P-Card Administrator, collect the P-Card from the Cardholder, submit the P-Card Request/Change Form to cancel the account

to PCardAdmin@Broward.org, and send the P-Card to the P-Card Administrator via interoffice mail to Government Center East, Room 212.”

Although we noted no unauthorized purchases for these three cards, allowing the procurement card to remain active after termination of employment exposes the County to potential misappropriation of funds or other misuse of the card.

We recommend WWS management implement procedures to ensure procurement cards are cancelled on or before the last day of the Cardholder’s employment.

7. Work Order Processes can be Further Enhanced to Track and Monitor Costs and Ensure Work Performed is Authorized

We noted the following:

- A. WWS does not fully use work order system reporting functions to track and monitor costs and has not established a process for generating periodic cost reports. In addition to scheduling work, a major benefit and function of a work order system is to track the cost of work performed by the area or asset the work is performed upon. For example, a work order system should be able to track costs incurred by a specific location or asset such as a lift station or vehicle. This is useful information to monitor and compare maintenance and upkeep costs of assets. An asset with a higher cost than other comparable assets may require replacement or other actions to correct a problem.

WWS does utilize the work order system to generate monthly work order productivity reports. These reports include such items as the number of completed workorders and hours incurred; timeliness of work order completion; and open, skipped, backlogged work orders and time required to complete. While these reports are necessary and beneficial for productivity monitoring, the reports do not track costs.

Without adequate tracking and monitoring of cost assignment, management may be unaware of assets with excessive costs and not take timely corrective action. Excessive costs could be caused by an asset in need of replacement. Excessive costs could also be caused by asset misappropriation by assigning costs to one purpose but expending the resources for another purpose.

- B. Thirteen out of 30, or 43%, of initiated workorders sampled lacked evidence of adequate approval. Five of the 13 workorders had no approval and eight of the 13 workorders were initiated and approved by the same supervisory individual. All work orders should be created and approved by different individuals prior to initiation. Approval of work orders

ensures that work orders are adequately prioritized and needed and that assigned labor and material resources are utilized effectively. Without proper approval, unnecessary work orders may be performed. According to staff, supervisors are permitted to both initiate and approve their own work orders.

- C. Two out of 9, or 22%, of applicable workorders sampled with direct materials purchases (materials not distributed through the warehouse but obtained by P-Card or purchase order and assigned directly to the workorder), did not have the materials adequately assigned to the work order.
 - 1. One workorder had a supporting invoice for materials and installation services containing 9-line items totaling \$33,359; however, only one of the line items totaling \$825 was coded to the workorder. **Figure 19a** shows the items listed on the invoice and **Figure 19b** shows the item recorded to the work order.

Figure 19a - Items per Invoice

FURNISH and INSTALL:					
ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	TOTAL
01-39	Water Main Fittings	1.12	TN.	\$ 7,450.00	\$ 8,344.00
01-46	Excavation safety>5' cut	5	CY	\$ 922.00	\$ 4,610.00
01-47	Dewatering System	.5	DAY	\$ 2,975.00	\$ 1,487.50
01-49	Asphalt restoration	0	SY	\$ 295.00	\$ 0.00
01-50	Sod restoration	250	SF	\$ 3.30	\$ 825.00
01-53	Traffic Control, Signs	2	EA.	\$ 92.25	\$ 184.50
01-55	Traffic Control, Barricades	10	DAY	\$ 9.50	\$ 95.00
01-60	Standard Hours	240	HR	\$ 62.50	\$ 15,000.00
01-61	Non-Standard Hours	30	HR	\$ 93.75	\$ 2,812.50
TOTAL DUE MADSEN/BARR CORPORATION				*****	\$ 33,358.50

Source: Partial screen print of invoice.

Figure 19b - Items Recorded to the Work Order

Description	Storeroom	Qty	Unit Cost	Line Cost
LINE50:FURNISH AND INSTALL SOD		250	3.30	825.00
Total Actual Materials:				825.00

Source: Partial screen print of work order.

According to WWS staff, although all items were properly received and utilized in the project, they were not properly recorded to the work order due to staff turnover and absences at the time of the project.

- 2. One workorder had a supporting invoice containing 9-line items of various materials totaling \$400; however, the work order was coded with just one summary line for \$400 entitled "hoses, camlocks, clamps". Although the total was correct, the work

order did not accurately depict the materials used. **Figure 20a** shows the items listed on the invoice and **Figure 20b** shows the item recorded to the work order.

Figure 20a - Items per Invoice

PO LINE #	ITEM #	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL
1	36J179	CABLE TIE, STANDARD, 48.40 IN., NATURAL, PK MANUFACTURER # 36J179	1	47.20	47.20
2	36J178	EXTRA HEAVY DUTY CABLE TIE, 35.4 IN L, PK MANUFACTURER # 36J178	1	26.25	26.25
3	1A098	V-BELT, A47 MANUFACTURER # 1A098	12	12.82	153.84
4	4TPN3	CLOSE NIPPLE, 1/4 IN, FULLY THRD, 316 MANUFACTURER # 731-001XSGR	10	4.00	40.00
5	5XFR1	EXTENSION CORD, 15 FT., 16/3, 13A, SJT, BLA MANUFACTURER # 5XFR1ID	1	14.29	14.29
7	2UV88	EPOXY ADHESIVE, INDUSTRIAL, 10 OZ, TUBE MANUFACTURER # 8280	5	16.36	81.80
8	22JY39	90 ELBOW, 3/8 IN, SXS, PVC MANUFACTURER # 806-003	2	1.19	2.38
9	4TM65	PORTABLE PIVOT FAN, NON-OSC, 9 IN, 3-SPD, 12 MANUFACTURER # 9530	1	34.32	34.32
		Delivery #: 6426708134 Date: 03/13/2019 Carrier: UPS GROUND No. of Pkgs: 4 Wt: 18.620 Trk #: 1Z2X98300362012706 1Z2X98300362025961 1Z2X98300362031196 SHIPPED FROM: DC FOUNTAIN INN 003 101 SOUTHCHASE BLVD, FOUNTAIN INN, SC 29644-9019			
<small>THIS PURCHASE IS GOVERNED EXCLUSIVELY BY GRAINGER'S TERMS OF SALE, INCLUDING: (I) DISPUTE RESOLUTION REMEDIES, AND (II) CERTAIN WARRANTY AND DAMAGES LIMITATIONS AND DISCLAIMERS IN EFFECT AT THE TIME OF THE ORDER, WHICH ARE INCORPORATED BY REFERENCE HEREIN. GRAINGER'S TERMS OF SALE ARE AVAILABLE AT WWW.GRAINGER.COM. PRODUCT RETURN INSTRUCTIONS ARE AVAILABLE AT WWW.GRAINGER.COM/RETURNS</small>					INVOICE SUB TOTAL 400.08 CR. CARD OR CASH RECEIVED 400.08

Source: Partial screen print of invoice.

Figure 20b - Items Recorded to the Work Order

Description	Storeroom	Qty	Unit Cost	Line Cost
HOSES, CAMLOCKS, CLAMPS		1	400.00	400.00
Total Actual Materials:				400.00

Source: Partial screen print of work order.

Accurately recording materials and services to work orders is important for cost analysis and ensuring against theft or misappropriation. If all costs are not recorded to the work order, then costs of the related job will be understated and limit management's ability to use the work order system for future decisions. Recorded materials to work orders in insufficient detail limits management's ability to ensure that all materials assigned were necessary and not misappropriated.

We recommend management:

- A. Develop procedures to periodically generate and review reports of assigned costs by asset or location.
- B. Update policies and procedures to require secondary approval of all work orders.
- C. Update policies and procedures to ensure that all material and labor costs are fully and accurately recorded to work orders.

MANAGEMENT'S RESPONSE



BERTHA W. HENRY, County Administrator
115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

DATE: September 29, 2021
TO: Robert Melton, County Auditor
FROM: Bertha W. Henry, County Administrator
SUBJECT: Management Response to Office of the County Auditor's Audit of Water and Wastewater Services Purchasing Card Usage and Operational Practices

The Public Works Department and the Water Wastewater Services (WWS) have reviewed the above referenced Office of the County Auditor's Audit of Water and Wastewater Services Purchasing Card Usage and Operational Practices and submit the following as Management's response.

In summary, Management acknowledges the Auditor's overall conclusion that P-Card transactions are for reasonable and necessary business purposes and in accordance with laws, rules, and regulations, and that procedures and controls over work order and inventory systems are adequate. Further, Management accepts most of the Auditor's opportunities for improvement and WWS has already implemented many of the procedural enhancements recommended in the report including enhanced training of staff and increased awareness of master agreement availability.

Below please find the detailed responses to each of the Auditor's opportunities for improvement and recommendations.

Opportunity 1: Greater Oversight is Needed Over P-Card Purchases to Prevent Circumvention of the Procurement Process and Inappropriate Purchases

Recommendations: We recommend management:

- A. Take any appropriate disciplinary actions for employee and approver involved in splitting.
- B. Ensure appropriate procedures are implemented for approvers to identify split transactions.
- C. Work with the Purchasing Division to periodically perform analytics to prevent or detect the unauthorized practice of splitting transactions.
 - 1. Ensure P-Card Holders comply with the Purchasing Card Program Manual by submitting detailed, complete, and accurate vendor invoices or receipts.
 - 2. Ensure P-Card Approvers are held accountable to perform adequate review and ensure required supporting documentation is included prior to approval of transactions.
 - 3. Ensure transactions lacking adequate support be disputed and referred to the P-Card Holder for follow-up and resolution before approval.

Response:

- A. **Agree in part.** WWS has and will continue to take the necessary corrective actions for any P-Card holders and approvers that allow splitting of transactions. However, based on WWS'

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review of the purchases identified, WWS Management does not believe that these purchases constituted splitting. The computer monitors in question were quoted at different times and were for different uses. Staff does acknowledge that we did make the mistake of not using the existing Dell master agreement to purchase these items and that issue has been corrected. As far as the video camera installations, these were post Hurricane Irma installations due to camera damage and the purchases were for separate locations. While WWS Management does not believe these purchases constitute splitting, WWS Management has advised appropriate staff to use master agreements when possible, coordinate similar purchases among agencies, and ensure that p-card holders within WWS receive additional p-card refresher training.

B. **Agree in part.** Procedures are already in place regarding the potential splitting of purchases and is part of the County's routine training.

C. **Agree and ongoing.**

In addition to the responses above, WWS is requiring all its P-Card holders to attend the WWS P-Card Refresher Training Session which is currently in progress and will address and emphasize the recommendations discussed above.

Opportunity 2: Master Agreements Should be Established and Consistently Used When Available.

Recommendation: We recommend management implement appropriate procedures to ensure purchases are made using Master Agreements wherever one exists and establish Master Agreements where needed to cover frequent purchases including:

- A. Update Master Agreement lists and develop and communicate Master Agreement information to all P-Card approvers and P-Card holders.
- B. Update processes to enhance knowledge of Master Agreements and monitoring of transactions to ensure the appropriate use of master agreements, including:
 - Review and approval of purchases for use or non-use of master agreements to be part of the transaction approval process.
 - Re-enforce County policies and training to ensure updated contract information and changes in Purchasing requirements are applied.
 - Entry of Master Agreement contract numbers in PeopleSoft by the P-Card holder for each purchase made.
- C. Management access to Peoplesoft P-Card transactions and implement a transactional review process to include:
 - Monitoring of transactions for trends.
 - Ensuring compliance with master agreement use.

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- Consideration for potential Master Agreements with highly used vendors that do not currently have an agreement in place or allowing P-Card purchases for existing Master Agreements.

Response:

- Agree.** WWS has and will continue to provide all staff with updated Master Agreement information for commonly purchased items.
- Agree.** WWS has and will continue to include a review and approval of purchases for use or non-use of Master Agreements as part of the transaction approval process.
- Agree and ongoing.** WWS has and will continue to monitor transactions for purchasing trends that may lend themselves to the establishment of a Master Agreement. Ensure that compliance with purchases through Master Agreements occurs. Staff will work with Purchasing to review highly used vendors for issuance of a Master Agreement where the use of a Master Agreement meets the operational needs of the organization.

In addition, WWS has established a Super User Group to provide frequently/commonly used Master Agreements & P-Card Purchases List, develop Frequently Asked Questions/Answers Information, and conduct Master Agreement Training Sessions on a periodic basis.

Opportunity 3: WWS Should Utilize Materials and Parts Available from the Warehouse and Place Less Reliance on Purchasing Materials Using P-Cards.

Recommendation: We recommend management make efforts to ensure materials are obtained through the warehouse and place less reliance on decentralized P-Cards purchases. Such efforts may include:

- Additional monitoring of P-Card purchases and, when appropriate, re-directing staff to obtain materials through the warehouse.
- Ensuring the warehouse is adequately stocked to timely fulfill staff requests for materials.
- Limit necessity of in-store purchases and emergency purchases through job planning and consider using warehouse storekeepers to deliver needed materials to off-site jobs.

Response:

- Agree.**
- Agree.** WWS will continue to review inventory and add commonly used stock as necessary.
- Agree in part.** Where maintenance is planned in advance, WWS agrees that staff should pull the necessary stock from the warehouse as generated through the Maximo work order system. However, it is noted that there are times on emergency repairs (including after hours and on weekends) where it is more efficient to purchase materials needed promptly through a P-Card purchase. Management does not agree with using storekeepers to deliver parts and materials for off-site repairs as it is not practical due to current staffing levels and capital costs for delivery vehicle(s). Additionally, it is not an efficient use of the storekeeper's limited resources and time to make deliveries in the WWS service area.

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Opportunity 4: WWS Should Review P-Card Holder Card Usage Periodically and Consider Reducing the Inactive P-Cards.

Recommendation: We recommend management periodically review the need for P-Card holders to retain their P- Cards and ensure current P-Card holders are appropriate and meet immediate business needs.

Response: Agree. WWS will annually review P-Card usage and ensure all P-Card holders are appropriate and necessary. Specifically, WWS has established a procedure to review P-Card usage at the end of the fiscal year and make an assessment based on operational needs. It should be noted that WWS provides essential services and staff with limited P-card usage may be recommended to keep their P-Card to use in the event of an emergency and/or to ensure continuity of water/wastewater services operations.

Opportunity 5: Improved Asset Tracking is Needed to Monitor Costs and Safeguard Against Misappropriation of Assets.

Recommendation: We recommend management:

- A. Ensure applicable P-Card purchases are adequately asset tagged.
- B. Ensure applicable P-Card purchases are adequately entered and tracked within the work order and/or asset tracking systems.

Response: Agree. WWS has and will continue to ensure applicable P-Card purchases are adequately asset tagged as required by County policy. Staff will also ensure applicable P-Card purchases are adequately entered and tracked within the work order system (Maximo or Service Now) and/or the fixed asset tracking module maintained by WWS.

Opportunity 6: P-Cards Were not Cancelled Timely for Terminated Employees.

Recommendation: We recommend WWS management implement procedures to ensure procurement cards are cancelled on or before the last day of the Cardholder's employment.

Response: Agree in part. In the cases cited, the physical card was retrieved and secured before the employee left employment with the County, but the card was not cancelled in a timely fashion. WWS will ensure staff is reminded to not only retrieve the card, but to timely process the paperwork to cancel the card at retrieval.

Specifically, WWS has developed and implemented an enhanced Employee Clearance Checklist to include a P-Card Cancellation Checkbox and other new features to ensure that P-Cards are cancelled and collected before an employee leaves employment with WWS.

Opportunity 7: Work Order Processes can be Further Enhanced to Track and Monitor Costs and Ensure Work Performed is Authorized.

Recommendation: We recommend management:

- A. Develop procedures to periodically generate and review reports of assigned costs by asset or location.

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B. Update policies and procedures to require secondary approval of all work orders.

C. Update policies and procedures to ensure that all material and labor costs are fully and accurately recorded to work orders.

Response: Agree in part and ongoing – Staff has developed procedures to annually review reports of assigned costs by asset or location as recorded in the Maximo asset management system. We agree that all work orders should receive approvals, but do not agree with the recommendation of having a second person approve the work order. Where the work order is initiated by a supervisor or higher position, they should be able to initiate and approve the work order. In many cases, they are the most knowledgeable about repairs or maintenance that needs to occur on specific assets. Staff has completed the updating of policies and procedures to ensure all material and labor costs are fully captured in the Maximo work order system. Additional functionality will be achieved by future Maximo upgrades.

Thank you for the opportunity to respond and provide Management's comments to the audit. If there are any additions, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions or require additional information, please do not hesitate to contact me.

c: Mayor and Board of County Commissioners
Monica Cepero, Deputy County Administrator
Kevin Kelleher, Assistant County Administrator
Andrew Meyers, County Attorney
Trevor M.A. Fisher, Acting Director, Public Works Department
Alan Garcia, Director, Water and Wastewater Services