



Follow-Up Review of Audit of the Water and Wastewater Services Purchasing Card Usage and Operational Practices

Office of the County Auditor

Follow-up Review

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OFFICE OF THE COUNTY AUDITOR

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August 4, 2022

Honorable Mayor and Board of County Commissioners

We have conducted a Follow-up Review of our Audit of Water and Wastewater Services Purchasing Card Usage and Operational Practices (Report No. 21-21). The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that of the 15 recommendations in the original report, 13 recommendations were implemented, and two recommendations were partially implemented. We commend management for implementation of our recommendations. The status of each of our recommendations is presented in this follow-up report.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review 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: Monica Cepero, County Administrator
Andrew Meyers, County Attorney
Kevin Kelleher, Assistant County Administrator
Trevor Fisher, Director, Public Works Department
Alan Garcia, Director, Water and Wastewater Services Division

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IMPLEMENTATION STATUS SUMMARY

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1 A&B.1	We recommended management take any appropriate disciplinary actions for employee and approver involved in splitting.	✓			
1 A&B.2	We recommended management ensure appropriate procedures are implemented for approvers to identify split transactions.	✓			
1 A&B.3	We recommended management work with the Purchasing Division to periodically perform analytics to prevent or detect the unauthorized practice of splitting transactions.	✓			
1C.1	We recommended management ensure P-Card Holders comply with the Purchasing Card Program Manual by submitting detailed, complete, and accurate vendor invoices or receipts.	✓			
1C.2	We recommended management ensure P-Card Approvers are held accountable to perform adequate review and ensure required supporting documentation is included prior to approval of transactions.	✓			
1C.3	We recommended management ensure transactions lacking adequate support be disputed and referred to the P-Card Holder for follow-up and resolution before approval.	✓			

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OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
2	We recommended 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-Cardholder for each purchase made. C. Management access to Peoplesoft P-Card transactions and implement a transactional review process to include:		✓		

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OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
	- 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	We recommended management make efforts to ensure materials are obtained through the warehouse and place less reliance on decentralized P-Card purchases.		✓		
4	We recommended 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.	✓			
5A	We recommended management ensure applicable P-Card purchases are adequately asset tagged.	✓			
5B	We recommended management ensure applicable P-Card purchases are adequately entered and tracked within the work order and/or asset tracking systems.	✓			
6	We recommended management implement procedures to ensure procurement cards are cancelled on or before the last day of the Cardholder's employment.	✓			

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OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
7A	We recommended management develop procedures to periodically generate and review reports of assigned costs by asset or location.	✓			
7B	We recommended management update policies and procedures to require secondary approval of all work orders.	✓			
7C	We recommended management update policies and procedures to ensure that all material and labor costs are fully and accurately recorded to work orders.	✓			

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 a Follow-up Review of our Audit of Water and Wastewater Services Purchasing Card (P-Card) Usage and Operational Practices (Report No. 21-21). The objective of our review was to determine the implementation status of previous recommendations for improvement.

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

Our follow-up review included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The follow-up testing was performed for the period from October 1, 2021, through April 30, 2022. However, transactions, processes, and situations reviewed were not limited by the review period.

Overall Conclusion

We conclude that of the 15 recommendations in the original report, 13 recommendations were implemented, and two recommendations were partially implemented. We commend management for implementation of our recommendations. The status of each of our recommendations is presented in this follow-up report.

OPPORTUNITIES FOR IMPROVEMENT

This section reports actions taken by management on the Opportunities for Improvement in our previous audit. The issues and recommendations herein are those of the original audit, followed by the status of the recommendations.

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

During our prior audit, 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 appeared 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.
- 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.
- C. We noted 68 transactions (58 of 885 (7%) sampled transactions totaling \$58,983 as well as 10 additional judgmentally selected transactions) were approved without adequate supporting documents.

We recommended management:

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

Implementation Status:

A&B 1. Implemented

A&B 2. Implemented

A&B 3. Implemented

C1. Implemented

C2. Implemented

C3. Implemented

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

During our prior audit, we noted that 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.
- B. We identified nine 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.
- C. Master Agreements with wireless service and cable providers needed to be further developed and used.

We recommended 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.

Implementation Status: Partially Implemented. Management states this is an ongoing process.

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

During our prior audit, we noted that WWS staff did not adequately utilize the warehouse to obtain materials and parts and instead relied 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.

We recommended 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.

Implementation Status: Partially Implemented. Management states this is an ongoing process.

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

During our prior audit, we noted that a significant number of employees held P-Cards. We identified 87 (21%) out of 408 WWS employees held P-Cards as of May 2020. Of the 87 P-Card Holders, 46 (53%) accounted for only 9% of the total expenses charged.

We recommended 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.

Implementation Status: Implemented.

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

During our prior audit, 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.

- 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 included items such as equipment, installations, and repairs that were 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 did not include items that were otherwise subject to the County's asset tagging requirements because they were either under \$1,000 or could not be readily tagged such as a component or part replacement to a piece of equipment.
- 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 did not include items that are otherwise subject to the County's asset tagging requirements because they were either under \$1,000 or could not be readily tagged such as a component or part replacement to a piece of equipment.

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

We recommended 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.

Implementation Status:

- A. **Implemented.**
- B. **Implemented.**

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

During our prior audit, we noted that 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.

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

Implementation Status: Implemented.

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

During our prior audit, we noted the following:

- A. WWS did not fully use work order system reporting functions to track and monitor costs and had not established a process for generating periodic cost reports.
- B. Thirteen out of 30, or 43%, of initiated work orders sampled lacked evidence of adequate approval. Five of the 13 work orders had no approval, and eight of the 13 work orders were both initiated and approved by the same supervisory individual.
- C. Two out of 9, or 22%, of applicable work orders sampled with direct materials purchases (materials not distributed through the warehouse but obtained by P-Card or purchase order and assigned directly to the work order), did not have the materials adequately assigned to the work order.

We recommended 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.

Implementation Status:

- A. Implemented.**

B. Implemented.

C. Implemented.