



DIVISION OF INSPECTOR GENERAL
Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida

November 15, 2022

To: The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed audit of the Administrative Controls over Capital Equipment. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for the Offices of Inspector General.

The audit includes equipment purchased in 2018, 2019, 2020, and 2021.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Bill Carroll".

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General
Division of the Inspector General

Approved by:

A handwritten signature in blue ink, appearing to read "Grant Maloy".

Honorable Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County

Audit of

Administrative Controls Capital Equipment

Report No. 093022

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Audit of Administrative Controls
Capital Equipment
Report No. 093022

HONORABLE GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

Bill Carroll, CPA, CFE, CIG, CIGA
Inspector General

Auditor Assigned:
Timothy Tschappat, CFE, CIA, CIGA

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Executive Summary

The following Executive Summary provides a high-level synopsis of: 1) why the audit was performed; 2) the audit objectives, and; 3) the results of the audit.

Why was the audit performed?

The audit was performed to verify that the administrative controls over capital equipment purchases were following Federal, State, and County policy and regulations.

What are the objectives for the audit?

The objective of the audit was to determine if the administrative controls over the purchase of Capital Equipment is adequate, effective, and in compliance with Federal, State, and County laws and regulations.

More specifically, our objectives were to test the County's business process from funding sources, to the financial reporting process to determine if the checks and balances are operating effectively.

What were the results of the audit?

It is our opinion that the administrative controls over the purchase of Capital Equipment is adequate, effective, and in compliance with Federal, State, and County regulations.

The County's business process from initial funding to financial reporting process include the necessary checks and balances and are operating effectively based on our test work.

Background

This audit was initiated to determine compliance with Federal, State, and County policy and regulations.

During the period 2018, 2019, 2020, and 2021, there was a significant amount of capital assets that were procured. Capital assets are those assets over \$5,000 in value.

Some were procured through the normal budgetary work session process and others were to support specific needs relating to the pandemic (COVID-19). There were certain approvals by the BCC.

From an audit perspective, we reviewed the subset of Equipment and related expenditures within capital assets procured from 2018 through 2021 and selected a sample to test for compliance. For illustration purposes, noted below is the population and the selected sample size.

	<u>Total</u>
Total Population	1461
Sample #	155
Percent Sampled	11%

There were four processes that we reviewed to ascertain compliance with applicable regulations:

Budget Work Session Process

Departmental management submits requests for capital equipment to Fleet, which then go through the County's annual budget process, and then is either approved, denied, or deferred. Departments provide justification for all capital equipment needs; current inventory is utilized first prior to the purchase of new equipment. From an audit perspective, capital equipment that was authorized from the BCC was compared to County Policy for compliance.

Funding Process

There were at least two funding sources used to procure equipment from 2018 through 2021. The County used money from the general fund and money from the CARES grant.

For those acquisitions in 2020 that initially required CARES funds, the County established an additional “**CARES Act Authorization to Purchase Form**” for departments to complete. This form is part of the administrative controls and included as part of the supporting documentation. These forms were approved by both the County Manager as well as Resource Management.

During the October 27, 2020 BCC meeting, the County Manager addressed the Board. She reported that U.S. Treasury had provided additional guidance.

Per the U.S. Treasury (in part):

“The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are health emergency”

Budget Adjustment Process

In November 2020, the BCC approved a Budget Amendment Request (BAR#20-090) to reallocate expenditure budget from the General Fund to the Federal CARES Fund to facilitate the remainder of the Seminole CARES Spending Plan.

Schedule of Expenditures of Federal Awards and State Financial Assistance

At the end of each fiscal year, the County prepares a schedule of expenditures of Federal Awards and State Financial Assistance required by the Auditor General. The independent auditors for the County audit the schedule for compliance with Chapter 10.550, Rules of the Auditor General.

A copy of the independent audit report and supporting schedules is submitted to the Auditor General’s Office within 45 days of publishing the Annual Comprehensive Audit Report.

Seminole County received a total of \$82,329,999 in Federal CARES Act funds. In 2020 and 2021, The CARES Act Fund was used to assist small businesses, individuals, Sheriff’s Office salaries and benefits that were reallocated as mentioned above, and administration fees.

The results of the audit are included in the report that follows.

Audit Objectives

The objective of the audit was to determine if the administrative controls over the purchase of Capital Equipment is adequate, effective, and in compliance with Federal, State, and County laws and regulations.

More specifically, our objectives were to test the County's business process from funding sources, to the financial reporting process to determine if the checks and balances are operating effectively. We audited for compliance throughout the various processes.

Methodology and Scope

Equipment with a dollar value of \$5,000 and above was subject to this audit. Equipment procured by the County for 2018, 2019, 2020, and 2021, were subject to this audit.

The audit included:

- Reviewing the Florida Statutes and Rules of the Auditor General;
- Reviewing the Federal, State, and County laws, regulations, and guidelines;
- Reviewed the Schedule of Expenditures of Federal Awards prepared by the County;
- Tested balances reported on year-end financial statements to the County general ledger,
- Verified the supporting documentation and authorizations of the sampled equipment; and
- Other procedures considered necessary.

Overall Evaluation

It is our opinion that the administrative controls over the purchase of Capital Equipment is adequate, effective, and in compliance with Federal, State, and County regulations.

The County's business process, from the initial funding sources through the financial reporting process, include the necessary checks and balances and are operating effectively based on our test work.

At the October 27, 2020 BCC meeting, the BCC authorized the County Manger to follow the revised U.S. Treasury guidelines, and therefore, presume that payroll costs for public safety could be considered a health emergency and could use CARES funds to support these costs per the revised guidelines.

We selected a sample of 155 equipment purchases and reviewed the files for appropriate documentation and verified at the time of purchase that the county was adhering to all applicable regulations. We also confirmed that the equipment initially recorded under the CARES Fund were properly re-classified to the Special Projects Fund as approved by the BCC.

As a side note, the original U.S. Treasury guidelines were quite complex with specific restrictions on how CARES Funds could be used. After reviewing the guidelines, management made the determination that the County, for the most part, had complied with these regulations.

We noted that in the initial U.S. Treasury Guidance there were certain limitations on purchases made for future use. Also, there was published guidance that advised to use alternative less costly measures to address pandemic needs that local governments should consider. In other words, in lieu of buying new equipment a government agency was to consider if certain pieces could be modified to meet short term needs.

With that being said, because the U.S. Treasury provided the administrative accommodation it allowed local governments to use funds as deemed necessary, Thus, in our opinion, the County does not have a compliance issue. We bring this discussion up because without this accommodation some purchases might not have qualified as advised by the U.S. Treasury. The U.S. Treasury clearly puts the responsibility onto the County to determine their health and safety needs.