



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

October 11, 2019

The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed Follow-Up Review of PCARD Transactions for the Fire Department.

We would like to acknowledge both the Purchasing Division and the Comptroller Office for their assistance with the review.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William Carroll".

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

Approved by:

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

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

## FOLLOW-UP REVIEW OF PCARD TRANSACTIONS

### FIRE DEPARTMENT

## REPORT NO. 080819

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Follow-Up Review Report No. 080819  
Review of PCARD Transactions – Fire Department

**GRANT MALOY**  
**CLERK OF THE CIRCUIT COURT AND COMPTROLLER**

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

Auditor Assigned:  
Timothy Tschappat, CFE,CIA  
Inspector General Auditor



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# INTRODUCTION

## BACKGROUND

On December 20, 2018, the Office of the Clerk of the Circuit Court and Comptroller published Report No. 082318. The original review may be obtained at <https://www.seminoleclerk.org/wp-content/uploads/2019/02/082318-pcard-fire.pdf>. A copy of the report may also be obtained in BCC records.

The original review had three issues that required management's attention. The issues were:

- Performance Bonds offer protection from financial loss;
- Utilization of Term contracts by User Departments; and
- Goods and services are exempt from sales tax

At the conclusion of the review, representatives from Comptroller's Office (Finance) and Purchasing and Contracts Division (PCD) established a corrective action plan as well as enhanced the review process. We commend these two organizations for being proactive and having commitment to administrative excellence.

Part of this development has been to provide in-depth training for all employees involved with the process. These offices shared their training program and it is very comprehensive and well-designed. This ongoing training is to ensure 100% compliance with policy.

The Director of Finance has requested Inspector General Office (IG) to provide audit support of this program by testing the files for compliance. With this being said, we tested 54 PCard transactions from January 2019 through March 2019 and found most of the issues identified in the initial audit have been corrected. There was, however, a repeat issue regarding performance bonds.

The Special PCard was used to purchase two Mobile Water Supply Apparatus vehicles in January 2019 for \$396,051.00 each. The vehicles were acquired through a pre-negotiated contract (FSA18-VEF13) through the Florida Sheriffs Association (FSA) and were paid in advance.

PCD's response to the IG Office is that performance bonds are not a statutory requirement, but a subjective decision by the PCD. We have noted that the FSA contract (Section 1.37) does recommend the purchase of a performance bond with pre-payment. Ultimately, performance bonds were not acquired for these purchases and the decision process was not documented.

The status of the corrective-action plans is addressed in the Overall Evaluation section on page 2 of this report.



## SCOPE AND METHODOLOGY

The scope of this review included reviewing the current status of the corrective action plans established by management.

We also tested 54 of 161 Fire Department PCard transactions processed from January 2019 through March 2019 to determine if the enhanced processes were functioning effectively and accurately.

Specifically, this review included:

- All issues and corrective action plans;
- Review of the current policies and procedures;
- Review and testing for compliance with policy; and
- Other procedures as necessary.

## OVERALL EVALUATION

The original published audit identified three (3) findings with recommendations. We found that 2 of 3 (67%) have been successfully addressed and cardholders are being trained on a regular basis for continued adherence to policy. A formal joint PCARD training program was established between PCD and Finance.

One of the findings in the original report addressed the acquisition of a performance bond when purchase price is sizable and the delivery of the product is several months away. The cost of the bond, averaging 3% - 5% of the contract amount, could be partially offset with the net discount provided by the supplier. In this case, the County received a pre-payment discount of \$14,042.00, but there was a \$10,219.00 fee imposed for using the PCard. The net discount was \$3,823.00 per vehicle, or just less than 1%.

We believe that the decision process to forego the purchase of a performance bond should be formally documented. Since business conditions fluctuate, the financial status of the contracted company could also fluctuate (possibly negatively) over the course of the contract term, sometimes between twelve (12) and eighteen (18) months. This is the primary risk of advancing the full contract amount. In lieu of issuing a bond, the County could consider payments based on percentage of completion.

We also believe there is an additional opportunity for process improvement:

- Insufficient supporting documentation

With the previous audit issues being addressed, the report that follows includes an additional opportunity for process improvement.

## OPPORTUNITY FOR PROCESS IMPROVEMENT

### ***1. Insufficient Supporting Documentation***

The Seminole County Manager Policies state that face-to-face transactions require a receipt to document the order and the receipt of goods and services. Remote transactions require the packing slip to be matched to the statement of invoice. (Page 65, W-7 (a) and (b), Purchase Transaction Documentation) The following section (W-8(b), Preparing Statement for Payment) states that “each transaction should be documented either with a receipt or with a log and packing slip”. The documentation would be dependent upon the transaction type mentioned in W-7 (a) and (b).

Of the 54 sampled transactions, 22 were missing copies of the corresponding packing slip, indicating that the goods were received. All 22 were remote transactions.

The Comptroller’s Office and the PCD are continuously reviewing this issue and working with departmental management for full compliance.

Having supporting documentation on-file ensures compliance with the Manager Policies.

### **Recommendation**

1. Comply with County policy to ensure the controls continue to function effectively.
2. The Comptroller’s Office should notify the department of the missing documentation.

### **Management Response**

The Comptroller’s Office agrees that paragraph 7b does state the packing slip must be matched to the statement of the invoice. However, it does not explicitly state it is required to be submitted with the receipt for payment. In paragraph 8b (Preparing Statement for Payment – Substantiate), it does state that “either a receipt or with a log and packing slip” is required to be submitted with the statement for payment. It appears paragraph 7b (Purchase Transaction Documentation) governs the County departments and is contradicting the paragraph in 8b, which governs the Comptroller’s Office for the payment.