



DIVISION OF INSPECTOR GENERAL

**Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida**

May 31, 2020

The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed Special Review of Administrative Controls - Fleet Supplier Expenses. We appreciate the assistance of Purchasing, Comptroller's Office, and the Fleet Department for their assistance with the review.

Respectfully submitted,

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

Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller

**SPECIAL REVIEW OF ADMINISTRATIVE CONTROLS
FLEET SUPPLIER EXPENSES**

REPORT NO. 031220

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Special Review Report No. 031220
Administrative Controls
Fleet Supplier Expenses

GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

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

Auditor Assigned:
Timothy Tschappat, CIA, CFE, CIGA

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INTRODUCTION

Background

During the August 8, 2017, Board of County Commissioners meeting, Public Works along with the Purchasing and Contracts Division and the County Manger's Office officially presented to the Board options for Fleet Management and Maintenance Services for Seminole County.

There were three options that were considered:

1. Outsourcing all Fleet management and management service;
2. In-house delivery of all Fleet maintenance for entire fleet; and,
3. Outsource Fire Department and in-house for all other program fleet services;

Supporting and opposing arguments were formally presented for these options, and after much discussion by the Board, the Board agreed with the analysis by staff and authorized staff to proceed with the third option.

In-house maintenance was new to both Seminole County and the Comptroller's Office. For many years, the County relied on third-party contracts (e.g. Serco Inc) for fleet maintenance. There were some issues with managing the Serco contract and it was recommended by County staff that more cost-effective options should be considered.

The total projected In-house costs for the first year (FY 17/18) of Option 3 presented to the Board included:

Existing In-house cost	\$532,479.00
New In-house operating expenses	\$3,221,677.00
Purchase of Inventory	\$166,238.00
Total In-house costs	\$3,920,394.00

Since processing invoices in-house was new, management requested that we evaluate the existing payment practice as there had been some discussions of whether the necessary internal controls were in place, effective, and cost efficient.

In the report that follows, we reviewed the internal controls and tested 294 invoices processed through the system. We reviewed the internal control environment and also reviewed for compliance with County policies.

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

Scope and Methodology

The scope of this review focused on the payment approval process for the Fleet Services Department. Supplier invoices were tested to determine if the methodology and internal controls were adequate, effective, and in compliance with County policies.

We tested 294 supplier invoices from October 2018 through September 2019 to determine compliance with County policies and procedures, and terms and conditions of the supplier contract.

Specifically, this review included:

- Review of procedures used to ensure compliance with the contract and with County policy, Florida Statutes, and other applicable regulations;
- Review of internal controls to ensure that billings were correct and submitted in a timely manner;
- Review of the terms and conditions of the contracts; and,
- Other procedures as necessary.

Overall Evaluation

Transitioning from an outsourcing services model to a hybrid structure that brings most of the functions in-house was a significant undertaking. The Fleet Services Division has done a commendable job of handling the high volume of invoices that require processing.

From an audit perspective, the management review and payment process needs some small procedural adjustments to ensure that the invoices are expedited in a timely and consistent process. These adjustments will ensure compliance with the County's policy.

Both Fleet Services and the Comptroller's Office are committed to exceptional service and with this commitment we are recommending that both organizations develop a well-defined inter-departmental procedure. This will make for a more efficient management review and payment process. We believe this will address the administrative issues observed during our review. The following opportunity for improvement should be considered:

- Formally publish an inter-departmental policy and procedure.

OPPORTUNITY FOR PROCESS IMPROVEMENT

1. Formally publish an inter-departmental policy and procedure.

The processing of invoices and supplier payments is generally governed by the County Administrative Code and County Manager Policy. These are the requirements that should be adhered to by Fleet, Comptroller's Office, Purchasing, and the user departments. Because in-house Fleet management is a new way of doing business in Seminole County, management requested that we review the process and the defined responsibilities since it was a different process than was used by the outside contractor (i.e. Serco Inc), management.

We interviewed employees from both Fleet and Comptroller's Office to gain an understanding of the process. From these interviews, we were able to document the control techniques being used by both organizations. We also tested and reviewed close to 300 invoices to ensure the process as explained was consistent. This testing was also to ensure that there was an efficient and compliant process with county requirements.

For the most part, we found that the suppliers were paid in accordance with the contracts with a few minor exceptions. Because of the volume of transactions and complexity, we noted the following the opportunities that should be considered:

- *Develop and expedite the management review and payment process;*
- *Continue to update the process of internal control over tracking of invoices; and,*
- *Ensure that processing of invoices is consistent;*

Based on our test work we found that some invoices simply did not make it through the system in a timely and efficient manner. This might have been caused by invoices inadvertently going to the wrong county department, suppliers or staff did not have all of the supporting documentation available, and/or the processing was not consistent.

These issues are being discussed in more detail with staff so they can adjust and make internal improvements. Our audit worksheets and support for these opportunities will be provided to Fleet and Comptroller management. These issues can be effectively addressed by the dissemination of an inter-departmental policy and procedure that will help ensure that the process is efficient, and in accordance with Administrative Code, Manager Policy, and contract terms.

We commend both Fleet and Comptroller Office employees for continuing to do an excellent job at assuring that the taxpayer's funds are being used efficiently.

Recommendation

Publish inter-departmental policies and procedures between Fleet Services and Comptroller's Office.

Comptroller's Response

The Comptroller's Office currently has policies and procedures for the Accounts Payable (AP) function based upon the current County Administrative Code for all County departments. The AP function is in the process of being automated with an AP Automation Solution, which will change how invoices are processed. The AP Automation Solution will date stamp the invoices, capture all relevant information from the invoices and validate them against data in JD Edwards. This will improve accuracy and efficiency in processing the invoices. As such, the Comptroller's Office AP policies and procedures will be revised. Section 22.15 of the County Administrative Code will be updated and submitted to the Board of County Commissioners for approval.

We believe with the implementation of the AP Solution the observations made, that are applicable to the Comptroller's Office, in the Special Review of Administrative Controls of Fleet Supplier Expenses will be addressed. The other observations that are pertinent to the Fleet department are being addressed by County personnel.

The Comptroller's Office is committed to ensuring compliance with the County's Administrative Code and will ensure the results of the Special Review are discussed with all Comptroller staff.

County Manager's Office Response

As mentioned in the Comptroller's response to the Special Review Report... the AP (accounts payable) function is in the process of being automated with an AP Automation Solution, which will change how invoices are processed (County-wide). The AP Automation Solution will date stamp the invoices, capture all relevant information from the invoices and validate them against data in JD Edwards. This will improve accuracy and efficiency in processing the invoices. As such, the Comptroller's Office AP policies and procedures will be revised. Section 22.15 of the County Administrative Code will be updated and submitted to the Board of County Commissioners for approval.

The County Manager's Office is in complete agreement with the statement provided above by the Comptroller's Office and will continue to move this effort forward for improved processing of all appropriate payment processes.

In the meantime, staff will continue to diligently address ensuring back-up documentation is provided, as required to all invoices; and ensure all policies regarding the processing of invoices are followed, including time stamping of invoices as they are received, processes as costs are verified with appropriate billheads generated, properly approved with signatures, and forwarded to the Clerk's Office for payment.

Inspector General Response

We held a meeting with Public Works, Comptroller's Office, and the Deputy County Manager on February 19, 2020, to discuss the audit findings. There were several issues of non-compliance with both the Manager Policy and Administrative Code.

Both organizations contributed to these non-compliance issues and both should work together to establish a more well-defined set of procedures that will ensure compliance with applicable County policies.

Although we appreciate the initiative of an automated AP Automation Solution, this process needs to be coordinated with the individual departments and there should be a concerted effort to establish a well-written policy and procedure agreed to by Comptroller and Public Works personnel. This is needed to ensure vendors are paid timely in accordance with County policy and that the process runs in a consistent and efficient manner. We were disappointed that the two organizations did not meet and formally agree on the process.