


Hernando County Clerk of Circuit Court
Audit Services Department
Follow-Up Audit Report
of
HCUD Purchasing Procedures
March 5, 2021

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Doug Chorvat, Jr.

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 

DATE: March 5, 2021

SUBJECT: Follow-Up Audit of the HCUD Purchasing Procedures

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted a follow-up audit of the HCUD Purchasing Procedures Audit. Based on the review of documentation, the audit team produced the attached report for your review. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this review, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesies and cooperation extended by the employees of the Hernando County Purchasing and Contracts Department during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or just stop by our offices in Room 215.

ATTACHMENT: HCUD Purchasing Procedures Follow-Up Audit Report

Copy: James Wunderle, Chief Procurement Officer and Purchasing & Contracts Manager
Gordon Onderdonk, PE, LEED AP, Hernando County Utilities Director

Copy: **Board of County Commissioners**

Chairman John Allocco
Commissioner Steve Champion
Commissioner Wayne Dukes
Commissioner Jeff Holcomb
Commissioner Eliza-Beth Narverud

Copy: **Audit Services Planning & Priorities Committee**

The Honorable Doug Chorvat, Jr., Clerk of the Circuit Court and Comptroller
Amy Gillis, CPA, CGFO, Director, Financial Services
Jon Jouben, Deputy County Attorney
Tobey Phillips, Deputy County Administrator
Jeffrey Rogers, County Administrator
Toni Brady, Director, Office of Management & Budget
Jeff Wolf, CPA, Senior Audit Manager, MSL P.A.
William Blend, CPA, CFE, Shareholder, MSL P.A.

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Executive Summary

The Audit Services Department (ASD) conducted a follow-up audit of the HCUD Purchasing Procedures Audit dated June 4, 2018. The purpose of this follow-up audit was to determine the status of the previous recommendation for improvement and management's corrective actions.

The purpose of the original HCUD Purchasing Procedures Audit was to provide reasonable assurance that the best value was obtained for goods and services, processes complied with County policies and procedures, and internal controls were adequate and effective.

To assess the status of the previous recommendation, ASD reviewed documentation to identify the actual actions taken to implement improvements.

ASD determined that the one recommendation in the original audit was fully implemented.

The recommendation to implement a monitoring/verification process to ensure that the County is adhering to the terms stipulated in Section 1.6 of the contract has been fully implemented.

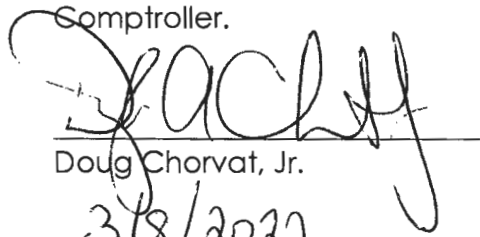
ASD commends management for the full implementation of recommended improvements.

Opportunity for Improvement No.	Audit Report Recommendation	Management Response	IMPLEMENTATION STATUS				
			Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1.1	Implement a monitoring/verification process to ensure that the County is adhering to the terms stipulated in Section 1.6 of the contract.	<p>Purchasing and Contracts staff has reviewed the contents of this internal audit report and met with Internal Auditing Department representation. Based upon the findings identified herein, the Purchasing and Contracts staff performed its own internal review and we concur with the findings as an opportunity for improvement and we support its recommendations with focus of refining our monitoring and review process to ensure compliance.</p> <p>Please see Discussion Point 1 for complete Management Response.</p>	✓				

Acknowledgement

Fieldwork was performed by: Vicky Sizemore, Internal Auditor

This report was reviewed and authorized by Doug Chorvat, Jr. Clerk of Circuit Court and Comptroller.



Doug Chorvat, Jr.
3/8/2021

Date

BACKGROUND INFORMATION

The Purchasing & Contracts Department facilitates the purchase of goods and services in conjunction with the initiating department. As stated in the Purchasing Procedures Manual, *"The mission of Purchasing is to maximize the purchasing value of public funds in procurement; to provide safeguards for maintaining a procurement system of quality and integrity; and to provide for fair and equitable treatment of all persons involved in public purchasing by the County."* The initiating department, which in this case is HCUD, is responsible for identifying the need, preparing specifications, evaluating the budget, and coordinating with the Purchasing and Contracts Department for the procurement of the required product or service.

Florida Statutes Chapter 287 "Procurement of Personal Property and Services" and County Ordinance 93-16 as amended by County Ordinance 2011-3 govern the purchase of commodities and contractual services by the County. In addition, the County has comprehensive Purchasing Policies and Procedures.

Florida Statute 287.017 establishes the purchasing categories and threshold amounts. Florida Statute 287.057 states that "The competitive solicitation processes authorized in this section shall be used for procurement of commodities or contractual services in excess of the threshold amount provided for CATEGORY TWO in s.287.017." The CATEGORY TWO threshold amount is \$35,000. Therefore, in compliance with Florida Statutes the County's Advertised Bidding Requirement (ABR) is \$35,000.

OBJECTIVE

The purpose of this HCUD Purchasing Procedures follow-up audit was to assess the status of the previous recommendation for improvement.

The purpose of the original HCUD Purchasing Procedures Audit was to:

- determine if processes complied with County policies and procedures
- determine if best value was obtained for goods and services
- assess the adequacy and effectiveness of internal controls

SCOPE

To determine the current status of the previous recommendation, ASD obtained and reviewed documentation to assess the actual actions taken by management to implement operational improvements.

This follow-up audit was performed during the timeframe of February 10, 2021 through February 24, 2021.

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunity for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

Opportunity for Improvement	Description	Page Reference
1.1	Implement monitoring process for the award/rotation of Professional Engineering Contracts.	10

Discussion Points
Status of Recommendations

This section reports the follow-up actions taken by management regarding the Opportunity for Improvement reported in the HCUD Purchasing Procedures Audit dated June 4, 2018. The audit comments and recommendation contained herein are those of the original audit, followed by the current status of the Opportunity for Improvement.

Discussion Point 1: Rotation of Awards to Engineering Professional Services Firms

Section 1.6 of the Engineering Professional Services contracts states

"...It is understood that Professional Service projects awarded under this agreement will be assigned on a rotating basis to all Professional Engineering Firms provided that; (1) there is no conflict of interest present relating to the project assignment either by the Engineer or any principal of the Engineer; (2) the Engineer's schedule and/or workload permits completion of the project in the time frame acceptable to the County and (3) the Engineer's cost proposal for completing the assignment is within the budget available for the work. Should any of these exceptions occur, the next firm in the project rotation schedule would be assigned the project. It is understood that the COUNTY may also elect to competitively select a Professional for a specific and/or specialized project."

The assignment of projects on a rotating basis was interpreted as sequential.

1.1 Opportunity for Improvement: Implement a monitoring/verification process to ensure that the County is adhering to the terms stipulated in Section 1.6 of the contract.

A review of the process utilized to track the awarding of projects to the Professional Engineering firms under contract with Hernando County disclosed that firms were not awarded projects in sequential order which resulted in some firms being awarded more or less projects than other firms. While there may be a legitimate reason for awarding a project out of rotation, Purchasing and Contracts did not maintain adequate documentation to support the "out of rotation" awards.

Recommendation: Implement a monitoring/review process that, if designed correctly, should ensure compliance with the contract terms. If award is outside the rotation, appropriate documentation justifying the award should be submitted for review. In addition, if budgetary conditions allow, management should research and consider options to automate the tracking process.

Management Response:

Purchasing and Contracts staff has reviewed the contents of this internal audit report and met with Internal Auditing Department representation. Based upon the findings identified herein, the Purchasing and Contracts staff performed its own internal review and we concur with the findings as an opportunity for improvement

and we support its recommendations with focus of refining our monitoring and review process to ensure compliance. To achieve these objectives, Purchasing and Contracts Department will impose:

1. **Spreadsheet/Task Log:** The Purchasing and Contracts staff member assigned (primary) will maintain a separate spreadsheet Task Log pertaining to each specific Engineering Professional Service contract and its awarded consultants for proper consultant rotation for Task Order/Consultant numbered assignment.
2. **Security:** Each spreadsheet will be under the strict control of the assigned Purchasing and Contracts staff member (primary) and an assigned backup staff (in absence of the primary) for Engineering Professional Service contract Task Order/Consultant rotation number assignment.
3. **Rotation of Consultants:** This is in strict secrecy, with Purchasing and Contracts primary and backup staff (eyes only) and is based upon the scoring outcome from highest score(as first Task Order assigned) to the next lowest scored continuing in the rotation process and as identified in Section 1.6 of the Engineering Professional Service contract.
4. **Direct Select – Out of Rotation Consultant Task Assignment:** A Direct Select that takes a consultant out of the Engineering Professional Service contract rotation process is necessary and required when a consulting firm under Engineering Professional Service contract performs specific engineering consulting for a County Department (target location). At some point, there may be a requirement for additional Engineering Professional Service contract consulting at the same target location directly applicable to the area of prior Engineering Professional Service Contract Task/Consulting work already performed. Utilizing the expertise of the same Engineering Professional Service contract consulting firm that performed Engineering Professional Service contract engineer services on a prior Task Order may be in the best interests of the County, County Department with cost factors included.

This Direct Select will:

- Facilitate and necessitate the Engineering Professional Service contract consultant direct knowledge, ability, and its established prior resources (i.e. CAD programs, software, and specific knowledge of the target location) therein, an out of rotation Direct Select is achieved/supported.
- The County Department shall provide a memo request for Direct Select directly to the Purchasing and Contracts (primary) and it will identify the County Department detailed justification to include the Department Director signature and/or its authorized designee.
- The Purchasing and Contracts (primary) will review and consult with the Chief Procurement Officer (CPO) for Direct Select approval. If approved, the Purchasing and Contracts (primary) will assign the Task Order/Consultant and document upon the spreadsheet the direct select

performed for rotation compliance. Identification of Direct Select on the spreadsheet will allow the primary to correctly assign the next consultant in the rotation process when a request is received by a County Department.

- This direct select will take a specific Consultant out of rotation. If in the case the direct select consultant was next on rotation assignment, the request for Direct Select will be identified yet will not affect the rotation process.
5. **Grant Funding, Federal Aviation Administration (FAA) Funding, and other support Agency Funding:** From time to time engineering services are required by County Departments and may include funding support by grant funding agencies. Use of such funding is advantageous to the County. Utilizing Engineering Services under County Contract facilitates activities to acquire required engineering services in case of emergencies or other situations that involve grant funding or agency support match funding. That identified, other governmental agencies may impose conditions upon which the County acquires contractors/consultants to comply with agency requirements to qualify for this agency funding. The conditions may require that:
- All consultants under contract are notified regarding the County department need and their acceptance of additional Federal clauses required by Agency for reimbursement/funding support deemed a "competitive process".
 - The consultants involved, the focus would be to the specific type Engineering Consulting contract discipline,
 - Pricing is based upon the number of hours projected by each consultant based upon total time identified times the hourly rates for consultant staff identified,
 - The lowest fee estimate would be identified as a direct select.
 - The process would be well documented by the Purchasing and Contracts primary or back-up and the spreadsheet would document the process of the direct select, Task Order rotation would follow procedure. It may also be the case that the consultant may be next on the task order rotation and normal rotation would still follow procedure.
 - Assignment of a consultant for Local Agency Programs (LAP) projects is based on certain criteria identifying qualifications of the firm as opposed to lowest cost proposal or rotation of the task order.

In closing, Purchasing and Contracts Department will always strive to follow and adhere to policy, procedure, laws, and regulations. The Purchasing and Contracts Department has been in a state of personnel changes from the Chief Procurement Officer and subordinate staff which precipitated the concerns in the rotation process identified by this internal audit. This internal audit provided a refreshing review of this department.

Purchasing and Contracts staff will take it from here to improve based upon audit identifications. Personnel as *(sic)* this time has stabilized.

Status: Fully Implemented