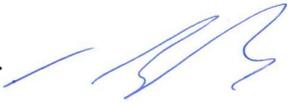




**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Honorable Chairman Jean Monestime,
and Members, Board of County Commissioners

FROM: Neil R. Singh, CPA
Acting Commission Auditor 

DATE: November 18, 2016

SUBJECT: Follow-up Report: Audit of User Access Program (UAP) Exemptions

We issued the final report of the Audit of User Access Program (UAP) Exemptions on October 22, 2013: <http://www.miamidade.gov/auditor/library/2013-10-22-bcc-access-program.pdf>. We submit this follow-up report, which contains the remediation status of the findings in the original audit report. Based on our audit recommendations and management action plans, all the findings have been resolved, and this audit is now closed.

We thank the staff of the Finance Department and the Internal Services Department for their cooperation and input throughout the follow-up audit.

Should you have any questions or need additional information, please contact me at (305) 375-4354.

c: Carlos A. Gimenez, County Mayor
Abigail Price-Williams, County Attorney
Edward Marquez, Deputy Mayor/Finance Director
Mary Cagle, Inspector General
Cathy Jackson, Director, Audit and Management Services
Tara C. Smith, Director, Internal Services Department
Blanca Padron, Deputy Finance Director, Finance Department
Miriam Singer, Sr. Assistant Director, Internal Services Department
Mike Iturrey, Division Director, Budget and Finance, Internal Service Department
Amos Roundtree, Director, Procurement Management, Internal Service Department
Connie White, Finance Systems Division Director, Finance Department

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MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

**AUDIT OF USER ACCESS PROGRAM (UAP)
EXEMPTIONS - FOLLOW-UP**

Project Number 11-143315

November 18, 2016

Neil R. Singh, CPA
Acting Commission Auditor

Auditors

Bayardo Medrano

Michael O. Bayere, CIA, CISA, CISSP, CPA

Auditor-In-Charge

Senior Auditor

111 NW First Street, Suite 1030
Miami, Florida 33128
305-375-4354

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I. OBJECTIVE AND SCOPE

The policies and procedures of the Office of the Commission Auditor (OCA) require that we perform follow-up activities subsequent to a final audit report to assess the implementation status of audit recommendations. The objective of this follow-up audit was to assess the actions taken by the management in the Finance Department and the Internal Services Department (ISD) to remediate, based on our recommendations and management action plans, the findings in OCA's final audit report. The scope of the follow-up audit was from July 2015 through December 2015.

II. BACKGROUND

In 2011, as part of the Work Plan approved by the Board of County Commissioners (BCC), the OCA conducted the Audit of User Access Program (UAP) Exemptions. The final audit report was released on October 22, 2013. The objective of the audit was to assess the County's compliance with the exemptions granted to certain type of contracts with respect to the deductions of UAP and Inspector General (IG) fees on County contracts.

The following is the summary of findings in the final audit report:

- UAP and IG charges on federal and state-funded contracts in FY 2010-11 were not accurately reversed. Amounts of UAP and IG fees that were reversed were less than the amounts charged by \$2,082 and \$17,812 respectively.
- Reports generated by the utility program for reversal of UAP and IG fees charged to federal and state-funded contracts did not contain grant type identifiers necessary for reconciliation purposes.
- The automated reversal process was limited to federal and state-funded contracts; it did not address reversal of UAP and IG charges on other categories of exempt contracts.

OCA's recommendations on the above and the status of implementation by the Finance Department and the ISD are summarized in the Summary Results below. More details, including management's original action plans in the final audit report are provided in the *Implementation Status of the Recommended Corrective Actions* (Attachment 1).

III. SUMMARY RESULTS

Our follow-up audit showed that the Finance Department and the ISD have implemented actions to resolve all the findings in the final audit report. Below is a summary of OCA's recommendations and remediation status for each of the audit findings:

Finding 1: UAP and IG charges on federal and state-funded contracts during FY 2010-11 were not accurately reversed.

Recommendation:

The Finance Department and the ISD should reconcile and make necessary corrections of the differences between charges and reversals of UAP and IG fees on federal and state-funded contracts.

Remediation Status: Resolved. Although management did not concur with OCA's recommendation to reconcile and correct the differences between charges and reversals for UAP and IG fees on federal and state-funded contracts, they have implemented a software based solution - Grant Restriction Indicator (GRI) - that prevents the charges of UAP and IG fees to contracts designated as federal and state grants.

Finding 2: Reports generated by the utility program for reversal of UAP and IG fees charged to federal and state-funded contracts did not contain grant type identifiers necessary for reconciliation purposes.

Recommendations:

- 2.1. The ISD should accelerate the process of implementing proposed application controls in the Advanced Purchasing and Inventory Control System (ADPICS) to prevent UAP and IG fees from being charged to federal and state-funded contracts.
- 2.2. The Finance Department (*in conjunction with the software vendor and the Information Technology Department (ITD)*) should include necessary reconciling details (including grant type codes) in the report of UAP and IG fees reversal entries posted by the utility program.

Remediation Status: Resolved.

Finding 3: The automated reversal process was limited to federal and state-funded contracts; it did not address reversal of UAP and IG charges on other categories of exempt contracts.

Recommendations:

- 3.1. The ISD should implement controls to ensure that UAP and/or IG fees are not charged to any exempt contracts.
- 3.2. The Finance Department (*in conjunction with the software vendor and the ITD*) should consider possible modifications to the utility program that will enable it to reverse UAP and IG fees mistakenly charged to other types of exempt contracts.

Remediation Status: Resolved.

IV. CONCLUSION

OCA acknowledges the cooperation and actions taken by the management and staff of the Finance Department and the ISD to resolve the reported audit findings. We would like to reiterate the importance of continuous monitoring and maintenance of internal controls by management in order to ensure that they continue to operate effectively.

Audit of User Access Program (UAP) Exemptions – Follow-up
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Finding 1	UAP and IG charges on federal and state-funded contracts during FY 2010-11 were not accurately reversed.	
	OCA Recommendation	The Finance Department and the ISD should reconcile and make necessary corrections of the differences between charges and reversals of UAP and IG fees on federal and state-funded contracts.
	Management Response/ Remediation Plan	<p>We do not concur with OCA's findings. Staff carefully reviewed the methodology used by the OCA in determining the balances that were not reversed. There are several factors discussed further below that contribute to the balances noted by OCA.</p> <p>a) Some reversals included transactions for the prior fiscal period. For example, reversals conducted for the fiscal period of October 1, 2010 - September 30, 2011 included various transactions from September 2010.</p> <p>b) A few departments reversed transactions charged against their grants, while not reversing the revenue to the UAP or IG index codes. For example, Seaport's Florida Department of Transportation (FDOT) grant for Cargo Security Gateway (FAMIS¹ grant number SPS001) was reduced by \$16,434 and charged to Seaport's budget. These transactions were not included in the August 2011 reversal process as there were no grant charges to reverse. OCA did not take these types of transactions into consideration when conducting their analysis. Additionally, we do not concur with OCA's recommendation to reconcile the differences between charges and reversals. Considering the factors outlined above, which contributed to OCA's differences, the value of the discrepancies, and the vast number of transactions that would need to be reviewed; a transaction by transaction reconciliation is not justified. Furthermore, a permanent solution was implemented in August 2011 through an automatic process to reverse UAP and IG deductions made to federal and state-funded grants. This solution eliminated the need for manual reversals and mitigated reconciling differences.</p> <p><u>OCA Comments</u></p> <p>a) All the reversals for transactions of prior years were identified during our reconciliation exercise</p>

¹ Financial Accounting Management Information System

Audit of User Access Program (UAP) Exemptions – Follow-up
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		<p>with both the Finance Department and the ISD, and those transactions were considered in arriving at the numbers in our report.</p> <p>b) Management stated that UAP and IG charges were reversed to a different account instead of being reversed to the UAP or IG fee index codes where they were originally posted. This accounting treatment would have the effect of over-stating the UAP and IG fee revenue accounts (<i>which belong to the ISD and the Office of the Inspector General respectively</i>), and under-stating the revenue account(s) to which the reversals were made at the user departments. We were not made aware of such discrepancies during our discussions and reconciliation efforts with both the Finance Department and the ISD.</p>
	Follow up Results	Although management did not concur with OCA’s recommendation to reconcile and correct the differences between charges and reversals for UAP and IG fees on federal and state-funded contracts, they have implemented the Grant Restriction Indicator (GRI) enhancement to the ADPICS/FAMIS that prevents the charges of UAP and IG fees to contracts designated as federal and state grants.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.
Finding 2	Reports generated by the utility program for reversal of UAP and IG fees charged to federal and state-funded contracts did not contain grant type identifiers necessary for reconciliation purposes.	
	OCA Recommendation	<p>2.1. The ISD should accelerate the process of implementing proposed application controls in ADPICS to prevent UAP and IG fees from being charged to federal and state-funded contracts.</p> <p>2.2. The Finance Department (in conjunction with the software vendor and the ITD) should include necessary reconciling details (including grant type codes) in the report of UAP and IG fees reversal entries posted by the utility program.</p>

Audit of User Access Program (UAP) Exemptions – Follow-up
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	Management Response/ Remediation Plan	<p>We concur with OCA's recommendation to accelerate the progress of implementing proposed application controls via the rollout of the GRI modification, even though enhancements to ADPICS/FAMIS were implemented in August 2011 to automatically reverse UAP and IG deductions from federal and state grants. The GRI modification is expected to be fully implemented in the first quarter of FY 2013-14. Once implemented, departments will only be able to use grant funds against contracts that have been appropriately designated. Realizing the importance of this enhancement, the ISD and the Finance Department have made this project a priority and have worked diligently with the software vendor to develop and test system modifications. The new GRI modification process was introduced to all County departments during a mandatory workshop in August 2013, in preparation for implementation in the first quarter of FY 2013-14.</p> <p>We concur with OCA's findings that the reports generated by the utility program did not contain grant type identifiers, and, that the grant type identifier should be included on the reports. Finance has discussed the need for this enhancement with the software vendor. This modification will be addressed with the implementation of the GRI modification outlined above.</p>
	Follow up Results	<p>The ISD has implemented the GRI enhancement that prevents UAP and IG fees from being charged to federal and state-funded contracts. The use of the automatic reversal (utility) program would ultimately be unnecessary when the contracts that were opened prior to the implementation of the GRI are phased out. The reports generated by the utility program have grant codes that facilitate the reconciliation of reversals to the corresponding charges in the check register reports which also contain grant codes.</p>
	Conclusion on Remediation Status	<p>Issues resolved: Finding is closed.</p>
Finding 3	<p>The automated reversal process was limited to federal and state-funded contracts; it did not address reversal of UAP and IG charges on other categories of exempt contracts.</p>	
	OCA Recommendation	<p>3.1. The ISD should implement controls to ensure that UAP and/or IG fees are not charged to any exempt contracts.</p>

Audit of User Access Program (UAP) Exemptions – Follow-up
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		<p>3.2. The Finance Department (<i>in conjunction with the software vendor and the ITD</i>) should consider possible modifications to the utility program that will enable it to reverse UAP and IG fees mistakenly charged to other types of exempt contracts.</p>
	<p>Management Response/ Remediation Plan</p>	<p>We concur with OCA's finding that the automated reversal process was limited to federal and state-funded contracts. Also, we concur with the recommendation concerning controls to ensure that UAP and/or IG deductions not occur when there are exemptions. While we agree with this recommendation, it should be noted that controls currently exist in ADPICS and FAMIS which prevent UAP and IG deductions on transactions involving exemptions. At the time a contract is established in the ISD Procurement Management Division, UAP and IG provisions are reviewed for applicability or exemptions. The contract screen in ADPICS is populated to establish UAP and IG as applicable ("Y"), or not applicable ("N"). The system will not allow a UAP or IG deduction on the vendor's invoice if the contract screen has been identified as UAP or IG not applicable ("N"). This control covers all exemptions with the exception of grant funding (which was addressed in the August 2011 enhancements to ADPICS/FAMIS) and Small Purchase Orders (SPOs). In the case of SPOs, the ADPICS system defaults to exempting UAP and IG deductions.</p> <p>OCA determined during the audit that \$1,044 in IG deductions occurred in FY 2010-11 involving transactions valued under \$10,000 (the threshold for SPOs at that time). OCA noted that some of these transactions appeared to be SPOs. We determined for these limited cases, that user departments copied a Reference Purchase Order as a template to create a SPO. Because these transactions did not follow the standard SPO-generation process, the system defaulted to the previous IG designation from the template, in these cases, IG-applicable ("Y"). Therefore, the IG exemption default for SPOs did not occur. The ISD and the Finance Department discussed this issue with the software vendor. It was determined that a modification to the "Copy" feature of ADPICS is not feasible to handle this issue. Instead, it is recommended that additional user training be provided. The ISD will provide additional training and develop a Frequently Asked Questions (FAQs) guide to retrain users on the proper use of issuing SPOs using the "Copy" feature. Additionally, the ISD will request that the ITD produce an exception report to identify any inappropriate deductions against SPOs in the future to appropriately monitor and make adjustments if needed.</p>

Audit of User Access Program (UAP) Exemptions – Follow-up
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		In conclusion, we believe that the current controls in place, along with the training and the GRI enhancement should collectively address all exemptions, and unallowable UAP and IG deductions.
	Follow up Results	Although it is not feasible to modify the “Copy” feature in ADPICS, the ISD has made substantial progress in remediating the audit findings by means of additional user training and county-wide access to training materials for SPO processing.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.

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