



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

**AUDIT OF USER ACCESS PROGRAM (UAP)  
EXEMPTIONS**

Project Number 11-143315

October 22, 2013

**Charles Anderson, CPA**  
**Commission Auditor**

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

**M E M O R A N D U M**

**TO:** Honorable Rebeca Sosa, Chairwoman  
and Members, Board of County Commissioners

**FROM:** Charles Anderson, CPA  
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name and title.

**DATE:** October 22, 2013

**SUBJECT:** Audit of User Access Program (UAP) Exemptions

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We have concluded our Audit of User Access Program (UAP) Exemptions and submit this report, which contains findings, recommendations, and management responses. Management concurred with our findings and recommendations, except for one. We have provided clarifying comments where they did not concur.

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

Please let me know if you need further information.

c: Mayor Carlos Gimenez, County Mayor  
R. A. Cuevas, Jr., County Attorney  
Edward Marquez, Deputy Mayor/Finance Director  
Patra Liu, Interim Inspector General  
Lester Sola, Director, Internal Services Department  
Cathy Jackson, Director, Audit and Management Services  
Blanca Padron, CPA, Deputy Finance Director, Finance Department  
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Amos Roundtree, Division Director, Procurement Management Services, ISD  
Celia Hudson, Administration and Business Services Manager, ISD  
Connie White, Finance Systems Support Administrator, Finance Department

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## **I. OBJECTIVE AND SCOPE**

As part of the work plan approved by the Miami-Dade County Board of County Commissioners (BCC), the Office of the Commission Auditor (OCA) conducted the Audit of User Access Program (UAP) Exemptions. The objective of the audit was to assess the County's compliance with the exemptions granted to certain types of contracts with respect to the deduction of the UAP fee on County contracts. Because of certain similarities between the UAP fee and the Inspector General (IG) fee, we extended the scope of the audit to include the assessment of compliance with the IG fee exemptions.

The audit period was originally from October 1, 2010 through June 30, 2011. However, because there was a major change toward the end of the fiscal year (FY 2010-11) in the operational processes for handling UAP and IG fees exemptions, the audit period was extended to November 2011.

## **II. METHODOLOGY**

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

To accomplish our objective, we obtained and analyzed electronic records<sup>1</sup> of UAP and IG fees charged to the following exempt contracts: federal and state-funded contracts, revenue generating contracts, and small purchase orders. We obtained and analyzed corresponding reversals of those charges, where available. We interviewed and had discussions with relevant program and management personnel in the Internal Services Department (ISD) and Finance Department. We also reviewed applicable County Code, Ordinances, and Administrative Orders, as well as relevant operational policies and procedures.

## **III. BACKGROUND**

### *User Access Program*

The User Access Program was established in Miami-Dade County in 2003 by Ordinance No. 03-192, which requires a two percent (2%) deduction from all vendor invoices for contracts established by the Department of Procurement Management (now part of ISD). The objective of the program was to generate funds that would help to defray the cost of procurement operations in the former Department of Procurement Management (DPM).

Implementation of the program began in October 1, 2003 and was applicable to purchases of goods and services by County departments, and by non-County entities accessing County contracts. The program covers one-time, term, blanket and pool contracts issued by the ISD

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<sup>1</sup> Records were extracted from the County's Financial Accounting Management Information System (FAMIS) Data Warehouse.

(formerly DPM), and contracts of other jurisdictions accessed by the ISD for the County. However, few exemptions were granted in the application of the program. Small purchase orders issued by County departments, employee benefits contracts, revenue generating contracts, contracts with Board established rates, and contracts funded with federal funds were exempt from the UAP at that time.

The ISD was charged with the administration and coordination of the UAP for County agencies. The Finance Department deducts the UAP fee of 2% from vendor invoices before payments are made to the vendors. Non-County entities accessing ISD-established contracts are required to deduct the 2% from vendor invoices and remit 75% of the deductions to the County. The remaining 25% of the deductions is to be retained by the outside entities to compensate for their collection and remittance efforts.

On March 6, 2012, the BCC adopted Ordinance No. 12-12, which created Section 2-8.10 of the Code of Miami-Dade County to codify the UAP. Section 2-8.10 of the Code made the following additional provisions, among others, to the UAP:

- In those instances where the County invoices and collects the UAP fee relating to a non-County entity accessing a County contract, the County shall retain ninety percent (90%) of the fee collected.
- Limits the exemption for federally funded contracts to those where the funding source prohibits or restricts the application of the UAP.
- Authorizes and directs the Public Health Trust to implement a UAP.
- Creates a pilot program for extending the UAP to select construction contracts.

The following contracts are exempt from UAP under section 2-8.10 of the Code:

- Construction, design, design-build, professional service contracts,
- Small purchase orders issued by County departments,
- Revenue generating contracts,
- Contracts funded with any funding source<sup>2</sup>, including federal, which prohibits or restricts the application of the credit to the County effected in the UAP,
- Contracts with rates established by ordinance, resolution or applicable law.

#### Inspector General Contract Fee (IG Fee)

The IG fee was established in the County to finance the cost of random audits, inspections and reviews of County contracts by the Office of the Inspector General (OIG). Section 2-1076 (d) (6) of the Code of Miami-Dade County provides that the cost of such random audits, inspections, and reviews shall be incorporated into the contract's price of all contracts and shall be 0.25% of the contract price. The following types of contracts are, however, exempt from the IG fee:

- Independent Private Sector Inspector General (IPSIG) contracts,
- Legal services contracts,

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<sup>2</sup> This is implied to include state-funded contracts.



- Financial advisory services,
- Auditing contracts,
- Facility rentals and lease agreements,
- Concessions and other rental agreements,
- Insurance contracts,
- Revenue-generating contracts,
- Contracts with pre-assigned IPSIG at the time of contract approval by the BCC,
- Professional service agreements under \$1,000,
- Management agreements,
- Small purchase orders,
- Federal, state, and local government-funded contracts,
- Interlocal agreements.

To ensure that the objectives and reasons for granting exemptions to the above listed types of contracts are not thwarted, it is important that the County adhere to exemption provisions when processing vendor contracts/payments, especially contracts where the funding source(s) strictly prohibit the application of UAP and IG fees.

#### **IV. SUMMARY RESULTS**

The Finance Department and ISD have achieved noticeable improvement in the process for ensuring compliance with UAP and IG fees exemptions, with respect to federal and state-funded contracts. The process for reversing UAP and IG fees that were deducted from federal or state-funded contracts was automated in August 2011 (*we hereafter refer to the software for the automated reversal process as the utility program*).

We reviewed the operations of the utility program for the first four months of its implementation (August – November 2011), and concluded that the program was working effectively as designed. However, we noted the following weaknesses that need to be addressed:

- 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 total of \$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.

## V. FINDINGS AND RECOMMENDATIONS

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

A total of \$205,722 in UAP fees were charged to federal and state-funded contracts and credited to the UAP revenue account in FY 2010-11. Charges in the amount of \$203,640 were later reversed, leaving a balance of \$2,082 that was not reversed (see Tables 1 and 3 for details).

**Table 1.**

Summary of UAP Fee Charges and Reversals on Federal and State-funded Contracts in FY 2010-11

Description	Grant Type	Amount (\$)
Charges		
	Federal	(92,301.80)
	State	(30,008.43)
	Federal Pass Through	(82,675.33)
	State Pass Through	(737.30)
<b>Total Charges</b>		<b>(205,722.86)</b>
<b>Total Reversals<sup>3</sup></b>		<b>203,640.11</b>
Net (Charges)/Reversals		(2,082.75)

Source: FAMIS Data Warehouse

In the same way, a total of \$82,102 in IG fees were charged to federal and state-funded contracts and credited to the IG fee revenue account in FY 2010-11. Charges in the amount of \$64,290 were later reversed, leaving a balance of \$17,812 that was not reversed (see Tables 2 and 4 for details).

**Table 2.**

Summary of IG Fee Charges and Reversals on Federal and State-funded Contracts in FY 2010-11

Description	Grant Type	Amount (\$)
Charges		
	Federal	(17,428.70)
	State	(26,001.85)
	Federal Pass Through	(38,579.82)
	State Pass Through	(92.19)
<b>Total Charges</b>		<b>(82,102.56)</b>
<b>Total Reversals<sup>4</sup></b>		<b>64,290.35</b>
Net (Charges)/Reversals		(17,812.21)

Source: FAMIS Data Warehouse

Prior to August 2011, a manual process was used by ISD and the Finance Department to compute and post journal entries to reverse UAP and IG fees charged to federal and state-funded contracts. Effective August 2, 2011, an automated reversal process was implemented. In September 2011, some of the manual reversing journal entries posted in prior months were cancelled, and a reposting of those reversing entries was done through the automated process.

<sup>3</sup> Excluding reversals of charges that were made for transactions of prior years.

<sup>4</sup> Ditto

Based on our review and observations, the discrepancies noted above concerning charges and reversal amounts could be linked to the following factors:

- The weakness of the manual reversal process with inherent chances of incomplete reversal of relevant charges.
- Reconciliation challenges due to lack of a report that contains important details (including grant type code) of UAP and IG charges posted to the respective fee revenue accounts (see Finding 2).
- Incomplete reversal of charges at the time of conversion from manual reversal process to automated reversal process.

Improper charges and/or reversal of UAP and IG fees may result in violation of grant terms, negative audit findings from granting agencies, and loss of funds.

### **Recommendation 1**

The Finance department and 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**

*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.*

- 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.*
- 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 (FAMIS 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.*

## **OCA Comments**

- a) All the reversals for transactions of prior years were identified during our reconciliation exercise with both the Finance Department and ISD, and those transactions were considered in arriving at the numbers in our report (as indicated in the footnotes to Tables 1 and 2 on page 4).
- 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 (*which belong to the ISD and the Office of the Inspector General respectively*), 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.

**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.

The utility program was developed by Cogsdale Corporation and implemented by the Information Technology Department (ITD) to automatically reverse UAP and IG fees charged to federal and state-funded contracts. The program posts reversals within one business day after the relevant vendor invoice payment has been posted in FAMIS<sup>5</sup>. We noted that details of transactions posted by the utility program to reverse charges from the UAP/IG fee revenue accounts did not contain grant type identifier (code). The identifier is vital for reporting and reconciliation purposes.

Lack of a report with necessary details and identifiers that facilitate reconciliations could make it difficult to track and ensure accurate reversal of UAP/IG charges.

We were informed of the plan to implement application controls in ADPICS<sup>6</sup> that will prevent UAP/IG fees from being charged to federal and state-funded contracts. Implementation of these controls should eliminate the need for any subsequent reversals of UAP/IG fees on federal and state funded contracts.

## **Recommendations**

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

## **Management Response**

*We concur with OCA's recommendation to accelerate the progress of implementing proposed application controls via the rollout of the Grant Restriction Indicator (GRI)*

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<sup>5</sup> County mainframe Financial Accounting Management Information System

<sup>6</sup> Mainframe application used for processing procurement and/or contract-related transactions for vendors

*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, ISD and Finance 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.*

*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.*

**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.

The utility program automatically reverses UAP and IG fees charged to federal and state-funded contracts within one business day after the relevant vendor invoice payment has been posted in FAMIS.

As highlighted in the background section of this report, there are other types of contracts apart from federal and state-funded contracts that are exempt from UAP and/or IG fees. We noted that the utility program for automated reversal was not designed to reverse UAP or IG fees mistakenly charged to other categories of exempt contracts, such as small purchase orders (SPO).

Our review of payment transactions on purchase orders with individual amount less than \$10,000 (*qualified to be small purchase orders*) showed that a total of \$1,044 in IG fees were charged to this class of transactions in FY 2010-11. However, personnel of ISD and Finance Department explained that most of these transactions were reference POs. A reference PO was defined as a purchase order in which the requesting department accesses a contract that was already established by ISD to meet its demand. Such reference POs were deemed to be subject to the IG fee. Nevertheless, we noted that some of these transactions (35% from our sample) that were not reference POs were charged the IG fee. These charges were not reversed, either manually or by the utility program.

Non-compliance with exemption provisions would defeat the reasons and objectives for granting exemptions to the relevant categories of contracts.

### **Recommendations**

3.1. 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 ITD*) should consider possible modifications to the utility program that will enable it to reverse UAP/IG fees mistakenly charged to other types of exempt contracts.

Management Response

*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 SPOs. In the case of SPOs, the ADPICS system defaults to exempting UAP and IG deductions.*

*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. ISD and Finance 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. 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, ISD will request that ITD produce an exception report to identify any inappropriate deductions against SPOs in the future to appropriately monitor and make adjustments if needed.*

*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.*

**Table 3. Summary of UAP Fee Charges and Reversals on Federal and State-funded Contracts in FY 2010-11**

		Oct. 2010	Nov. 2010	Dec. 2010	Jan. 2011	Feb. 2011	Mar. 2011	Apr. 2011	May. 2011	Jun. 2011	Jul. 2011	Aug. 2011	Sept 2011	Total
<i>Grant Type</i>	<i>Code</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Federal	2	2,208.77	4,547.80	11,179.64	3,362.66	6,592.81	10,370.14	7,389.30	6,286.54	16,030.18	5,406.32	11,702.08	7,225.56	92,301.80
State	3	208.27	5,900.16	13,971.44	278.28	2,547.88	3,246.16	2,047.72	180.40	139.91	187.64	511.14	789.43	30,008.43
Fed. Pass through	4	3,264.88	3,528.02	7,042.31	3,269.56	7,045.50	16,151.00	6,273.66	4,921.55	7,246.53	7,031.80	9,216.55	7,683.97	82,675.33
State pass through	5	5.20	59.36	64.11	45.08	27.47	114.24	17.59	62.63	30.62	24.71	100.23	186.06	737.30
<b>Total Charges</b>		<b>(5,687.12)</b>	<b>(14,035.34)</b>	<b>(32,257.50)</b>	<b>(6,955.58)</b>	<b>(16,213.66)</b>	<b>(29,881.54)</b>	<b>(15,728.27)</b>	<b>(11,451.12)</b>	<b>(23,447.24)</b>	<b>(12,650.47)</b>	<b>(21,530.00)</b>	<b>(15,885.02)</b>	<b>(205,722.86)</b>
<b>Total Reversals</b>		<b>47.64</b>	<b>111.92</b>	<b>16,424.86</b>	<b>5,233.56</b>	<b>20,432.15</b>	<b>10,669.64</b>	<b>26,358.29</b>	<b>12,936.84</b>	<b>12,655.64</b>	<b>30,310.92</b>	<b>16,141.91</b>	<b>52,316.74</b>	<b>203,640.11</b>
Net (Charges)/Reversals		(5,639.48)	(13,923.42)	(15,832.64)	(1,722.02)	4,218.49	(19,211.90)	10,630.02	1,485.72	(10,791.60)	17,660.45	(5,388.09)	36,431.72	<b>(2,082.75)</b>

**Table 4. Summary of IG Fee Charges and Reversals on Federal and State-funded Contracts in FY 2010-11**

		Oct. 2010	Nov. 2010	Dec. 2010	Jan. 2011	Feb. 2011	Mar. 2011	Apr. 2011	May. 2011	Jun. 2011	Jul. 2011	Aug. 2011	Sept 2011	Total
<i>Grant Type</i>	<i>Code</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Federal	2	835.47	744.24	1,533.97	856.53	858.20	2,125.67	1,440.75	848.28	2,322.70	2,592.51	1,850.03	1,420.35	17,428.70
State	3	1,429.35	926.77	2,667.07	4,732.86	4,368.01	547.29	2,287.71	3,006.63	838.57	1,041.68	1,521.87	2,634.04	26,001.85
Fed. Pass through	4	3,433.39	1,803.23	2,529.25	5,119.55	3,142.43	3,929.18	3,897.22	2,367.39	2,702.54	4,117.04	2,115.47	3,423.13	38,579.82
State pass through	5	0.65	7.40	8.00	5.63	3.44	14.29	2.19	7.83	3.83	3.09	12.56	23.28	92.19
<b>Total Charges</b>		<b>(5,698.86)</b>	<b>(3,481.64)</b>	<b>(6,738.29)</b>	<b>(10,714.57)</b>	<b>(8,372.08)</b>	<b>(6,616.43)</b>	<b>(7,627.87)</b>	<b>(6,230.13)</b>	<b>(5,867.64)</b>	<b>(7,754.32)</b>	<b>(5,499.93)</b>	<b>(7,500.80)</b>	<b>(82,102.56)</b>
<b>Total Reversals</b>		<b>1,262.13</b>	<b>29.64</b>	<b>48.59</b>	<b>704.40</b>	<b>141.30</b>	<b>420.57</b>	<b>862.38</b>	<b>295.80</b>	<b>1,639.39</b>	<b>1,849.45</b>	<b>5,215.50</b>	<b>51,821.20</b>	<b>64,290.35</b>
Net (Charges)/Reversals		(4,436.73)	(3,452.00)	(6,689.70)	(10,010.17)	(8,230.78)	(6,195.86)	(6,765.49)	(5,934.33)	(4,228.25)	(5,904.87)	(284.43)	44,320.40	<b>(17,812.21)</b>

Source: FAMIS Data Warehouse

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## Memorandum



**Date:** October 2, 2013

**To:** Charles Anderson, CPA  
Commission Auditor

**From:** Edward Marquez *Edward Marquez*  
Deputy Mayor/Finance Director

Lester Sola, Director  
Internal Services Department *Lester Sola*

**Subject:** Response to Office of Commission Auditor (OCA) Audit Report of  
User Access Program Exemptions

Office of the  
OCT 08 2013  
@ 12:25 pm  
Commission Auditor

Thank you for the opportunity to respond to the final Draft Audit Report of User Access Program (UAP) Exemptions. Below are the joint responses of the Finance Department (Finance) and Internal Services Department (ISD) to each of the Findings and Recommendations listed in the above-referenced report.

**OCA Finding No. 1**

UAP and Inspector General (IG) charges on federal and state-funded contracts during FY 2010-11 were not accurately reversed.

A total of \$205,722 in UAP fees were charged to federal and state-funded contracts and credited to the UAP revenue account in FY 2010-11. Charges in the amount of \$203,640 were later reversed, leaving a balance of \$2,082 that was not reversed.

A total of \$82,102 in IG fees were charged to federal and state-funded contracts and credited to the IG fee revenue account in FY 2010-11. Charges in the amount of \$64,290 were later reversed, leaving a balance of \$17,812 that was not reversed.

**OCA Recommendation No. 1**

The Finance Department and 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.

**ISD/Finance Response No. 1**

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.

- 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.
- 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 (FAMIS 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.

**OCA Finding No. 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 No. 2**

- 2.1. ISD should accelerate the process of implementing proposed application controls in ADPICS to prevent UAP/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 reconciliation details (including grant type code) in the report of UAP/IG fees reversal entries posted by the utility program.

**ISD/Finance Response No. 2**

We concur with OCA's recommendation to accelerate the progress of implementing proposed application controls via the rollout of the Grant Restriction Indicator (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, ISD and Finance 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.

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.

**OCA Finding No. 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. The utility program for automated reversal was not designed to reverse UAP or IG fees mistakenly charged to other categories of exempt contracts, such as for small purchase orders (SPOs).

**OCA Recommendation No. 3**

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

**ISD/Finance Response No. 3**

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 SPOs. In the case of SPOs, the ADPICS system defaults to exempting UAP and IG deductions.

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. ISD and Finance 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. 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, ISD will request that ITD produce an exception report to identify any inappropriate deductions against SPOs in the future to appropriately monitor and make adjustments if needed.

In conclusion, we believe that the current controls in place, along with training and the GRI enhancement should collectively address all exemptions, and unallowable UAP and IG deductions.

Thank you for the professionalism of you and your staff in completion of this audit.

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