

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

PROPERTY MANAGEMENT DEPARTMENT
CONSTRUCTION SERVICES DIVISION AUDIT

A U D I T R E P O R T

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A U D I T R E P O R T

The Internal Audit Department conducted a financial, compliance, and operational audit of the Property Management Construction Services Division for the audit period October 1, 2008 through September 30, 2009. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Construction Services Division is under the Property Management Department and is responsible for the oversight of all vertical construction projects undertaken by Manatee County. The Division also provides both project and construction management resources for the renewal and replacement of County owned facilities to increase efficiency or extend the useful life of such facilities. Additionally, the Division also provides services in the planning, design, development and construction of new County structures. Responsibilities include working with other County departments and consultants to ensure that projects are designed and implemented according to each department's request and public need.

The Construction Services Division's projects fall into one of four group types that include:

- Construction-in-Progress (CIP) Projects – Board approved projects that are normally in excess of \$100,000. These projects are outsourced with the help of the Purchasing Division and are managed and inspected by the Construction Services Division.
- Repairs & Renovation Projects (R&R) – Major projects for the upkeep of County buildings that are budgeted within their Division. These projects may be outsourced or may be done in-house depending on the scope of the project and the availability of staff.
- Department Requested Services – Major and non-major projects that are requested and paid for by individual departments that can be outsourced or performed in-house depending on the scope of the project.
- Maintenance Projects – Minor maintenance projects that are not routine in nature. These projects are all performed in-house and are budgeted directly within the Construction Services Division.

PURPOSE/OBJECTIVES:

The main audit purpose/objectives included, but were not limited to, the following:

- To verify expenditures are properly documented, approved, recorded and reported.
- To verify an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate evaluation of the Construction Services Division's objectives and responsibilities.
- To verify compliance with laws and regulations, including Florida Statutes, policies and procedures, and signed agreements or contracts.
- To evaluate overall operational efficiency and effectiveness.

SCOPE:

The scope of the audit included reviewing the overall adequacy of the Construction Services Division's internal controls and the operational efficiency and effectiveness by examining and testing financial and operational records and compliance to the state and county laws for the period ending September 30, 2009.

METHODOLOGY:

Internal control evaluations were accomplished by flowcharting processes, reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the Construction Services Division Audit for the period ending September 30, 2009.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with regulations and other policies established by the Construction Services Division.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Construction Services Division for the twelve months ended September 30, 2009, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accountability Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report may constitute reportable conditions as previously defined.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Construction Services Division's management team and the Internal Audit Department. The management team included Charlie Bishop, Property Management Director; Tom Yarger, Construction Services Division Manager; and Jon Berry, Property Management Fiscal Services Manager.

MANAGEMENT SUMMARY:

The Construction Services Division is managed by highly trained and dedicated individuals whose priority is to provide quality project management and construction services for all vertical construction projects undertaken by Manatee County. Based on the audit, the Division appears to be properly tracking and recording trade workers' time to projects, accurately accounting for project expenses, and adequately billing for services to the various CIP and other billable projects. In addition, the Division was in compliance with the competitive bidding provisions of Florida Statute 287.057 and the bonding requirements of Florida Statute 255.05. Overall, the day-to-day operations of the Division are functioning well. The audit identified several areas of improvements that will be beneficial to the management of the Division. These improvements and Management Action Plans are summarized below:

MANAGEMENT SUMMARY: (Continued)

- The billing software used by the Construction Services Division accurately captures and reports on staffs' daily job activities and expenses for the charging of billable projects. While this information is used as a tool to monitor project costs, it has not been used by top management in ensuring that staff is working efficiently and effectively on projects. The Management Team through its Management Action Plan is in the process of developing a report that will provide management a snap shot of each employee's work activities on a monthly basis giving Management the ability to analytically review staffs' performance. **(See Area for Improvement #1 at page 7.)**
- Construction Services traditionally purchases materials for projects in an amount in excess of 10% of the project's requirements to cover breakage, estimation errors, etc. While this practice appears reasonable, there was no documentation available to show what happened to the excess material. It was also noted that the receipts for material purchases made using purchasing cards are not documented with the location of where the materials are to be used to ensure the material costs were charged to the appropriate project. The Management Team through its Management Action Plan is in the process of establishing an "Excess Materials Form" for items greater than \$100 to show the disposition of excess materials. Also management will implement a procedure that will require purchasing card receipts to include documentation as to the location at which those purchases were used. **(See Area for Improvement #2 at page 7.)**
- Numerous purchases are made by the Construction Services Division each year for various small power tools and shop equipment costing less than \$200 per item using their County-issued purchasing card. Once purchased, there is no system in place to inventory, tag and assign these tools to individual employees. The Management Team through its Management Action Plan will use their FMAW software to create an internal "line item" budget for each individual supervisor for the purchase of small tools that will be periodically reviewed by management. **(See Area for Improvement #3 at page 8.)**
- The Division is responsible for maintenance and storage of about 14,000 "as built" drawings and/or plans of buildings owned by Manatee County as well as records relating to the design, bidding and final approval of ongoing and completed projects. These records are primarily in paper form and stored in unsecured areas. The Management Team through its Management Action Plan will develop and implement a plan for all record storage and maintenance of these documents. In addition, Management has also instituted a procedure that requires the electronic submission for all new projects to better facilitate future storage issues and with a goal to become completely paperless in the operations of the department. **(See Area for Improvement #4 at page 8.)**
- The Construction Services Division does not have a complete and approved policy and procedures manual. The Management Team through its Management Action Plan is in the process of developing a policy and procedures manual for the Division staff. **(See Area for Improvement #5 at page 9.)**

The findings listed in this report were discussed with Charlie Bishop, Property Management Department Director. Other minor findings noted during the audit were discussed and/or corrected during the audit, and were not included in this report. We would like to thank the Construction Division's management and staff for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and aggressively seeking solutions to these matters. We look forward to the continued effort on monitoring controls and maintaining accountability over all of their operations.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Millie Blevins, CPA
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court & Comptroller

AREA FOR IMPROVEMENT #1.....Time Accounting System

The Division is accurately collecting and summarizing time accounting data using their billing software called Facilities Management Accounting Web (referred thereafter as FMAW), that was developed internally by the Information Services Department. Staff completes manual time records of their daily job activities and this information is captured by FMAW. The trade personnel have been successfully using this software and recently Project Managers and Repair & Renovation project personnel have been added as well. While this wealth of information is shared at department meetings and used as a tool to monitor project costs, it has not been used by top management in ensuring that staff is working efficiently and effectively on projects. By management having a snap shot of this information on a periodic basis, such information may assist in the tracking, supervision and scheduling of staff on current and future projects.

Management Action Plan: Management is in the process of developing a report that will provide management a snap shot of each employee's work activities on a monthly basis. Management will have the ability to analytically review and follow-up with staff as needed. Management anticipates that this report will be implemented by January 2011.

AREA FOR IMPROVEMENT #2.....Purchasing Controls

When purchasing materials for projects, it has been the practice for Construction Services (as well as an industry standard) to purchase approximately 10% in excess of the project's requirements. The reasoning for this is to have extra materials available in case of breakage, estimation errors, or other unforeseen circumstances that occur during the life of the project. While this practice appears reasonable, there was no documentation available to show what happened to the excess material. In the past, management has allowed for excess materials to be thrown away or returned to the store for a refund for purchases made on credit. Currently, management has established, as a third option, a secured warehouse where the excess materials may be returned and used in other projects. While these options are acceptable, a formal system is not in place for the tracking of these excess materials not used in projects.

When materials are purchased by employees using their purchasing card, the receipt of that purchase does not indicate the job location for which the materials were purchased. By documenting the job location, this can serve as a cross check by the Fiscal group to ensure the receipt is charged to the appropriate project and the materials purchased appear reasonable for that particular project.

Management Action Plan: Management is in the process of establishing an "Excess Materials Form" for items greater than \$100. This form will show the disposition of excess materials and provide management with necessary information as to whether further action will be required in the handling of this excess material. Management anticipates implementation within three months. Furthermore, management will implement immediately, a procedure that will require purchasing card receipts to include documentation as to the location at which those purchases were used.

AREA FOR IMPROVEMENT #3.....Control of Small Tools & Equipment

Numerous purchases are made by the Construction Services Division each year for various small power tools and shop equipment costing less than \$200 per item. Examples of these items include power drills, ladders, saws, screwdrivers, wrenches, hammers, and drill bits that are required by employees in order to perform the various tasks that are assigned to them. These tools are usually purchased using the County's purchasing cards and normally have an expected life of at least 3 years. Once purchased, there is no system in place to inventory, tag and assign these tools to individual employees. When tools are lost or broken, replacement tools are purchased the same way without any justification. In a 2 1/2 year period, the Construction Services Division has spent approximately \$21,000 in small tool and equipment for a staff of 20 trade workers. Better controls over the individuals using the small tools and equipment will deter the possibilities of misappropriation and theft.

Management Action Plan: Management will use their FMAW software to create an internal "line item" budget for each individual supervisor for the purchase of small tools. It will be the supervisors' responsibility to distribute and track the tools issued to their staff. These accounts will be regularly reviewed by upper management on a quarterly basis and the supervisor will be held accountable for purchases exceeding the line item budgeted amounts by documenting the justification of such purchases. Management will implement this procedure within six months.

AREA FOR IMPROVEMENT #4.....Storage of Department Records

The Construction Services Division is responsible for maintenance and storage of about 14,000 "as built" drawings and/or plans of buildings owned by Manatee County as well as records relating to the design, bidding and final approval of ongoing and completed projects of Manatee County. All these records are primarily in paper form and are stored in unsecured areas and file cabinets. Loss from fire and/or storm damage is a potential risk. Efforts should be made to better protect these documents and ideally convert these documents to electronic form for longevity, better access, and efficient storage.

Management Action Plan: Management has created a records management position within the Property Management Department to develop and implement a comprehensive plan for all record storage and maintenance by the Property Management Department. The department has moved all "as built" drawings to the more secured or protected location of the new Emergency Operations Center building. Currently, approximately 50% of the 14,000 "as built" plans have been scanned into electronic format. Management has also instituted a procedure going forward to request all new projects (plans and designs) to be submitted by the various contractors in electronic form to better facilitate future storage issues. The eventual goal is to become completely paperless in the operation of the Division. Estimated time to accomplish this task is expected within twelve months.

AREA FOR IMPROVEMENT #5.....Policies and Procedures Update

The Construction Services Division does not have a complete and approved policy and procedures manual. Documented policies and procedures that are available to all employees at all times helps to insure that the desired controls and methods to complete various tasks are done consistently within the guidelines established by management in an efficient and effective manner. It also serves as a good training reference for new and existing employees. Policies and procedures should be established electronically for broader availability, with at a minimum of an annual review and update by management for any changes that may evolve within the Division.

Management Action Plan: Management is in the process of developing a policy and procedures manual for the Division. Management expects to have this fully implemented within the next fifteen months.



Manatee County

R.B. "Chips" Shore

Clerk of the Circuit Court and Comptroller

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MEMORANDUM

TO: Charlie Bishop, Property Management Director

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: August 27, 2010

RE: Property Management Construction Services Division Audit Report

Enclosed is the Internal Audit Report for the Construction Services Division as of September 30, 2009. I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Millie Blevins at 749-1800, extension 4170.

RBS/MDB

Enclosures

"Pride in Service with a Vision to the Future"

Clerk of Circuit and County Court - Clerk of Board of County Commissioners - County Comptroller, Auditor and Recorder

INTERNAL AUDIT DEPARTMENT

AUDIT REPORT

**PROPERTY MANAGEMENT DEPARTMENT
CONSTRUCTION SERVICES
DIVISION AUDIT**

AS OF SEPTEMBER 30, 2009

