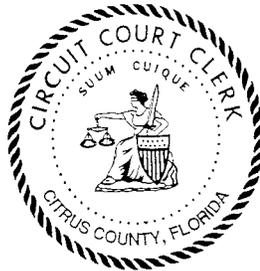


AUDIT REPORT
AQUATIC SERVICES DIVISION
JULY 2004



Report by
Internal Audit Division
Clerk of the Circuit Court

Betty Strifler
Clerk of the Circuit Court
Citrus County



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July 22, 2004

The Honorable Betty Strifler
Clerk of the Circuit Court

Dear Mrs. Strifler:

I have completed the Board of County Commissioners' Aquatic Services Division Audit. The purpose of this audit was to evaluate inventory control procedures, compliance with State licensing requirements, policies on equipment usage and preventive maintenance, safety procedures, the bid process, and grant/contract compliance.

The period audited was October 1, 2002 through February 29, 2004.

The review validated overall that the Aquatic Services Division operates within established policies, procedures and regulations. The audit disclosed a lack of segregation of duties for inventory control, a weakness in inventory and equipment security, and noncompliance with Administrative Regulation 9.01.07-2, "Sole Source" Purchase. Other minor matters were noted, which have no material effect on operations.

Responses to the Recommendations for Improvement are incorporated herein. Aquatic Services Management implemented several of the recommendations during the course of this audit.

I appreciate the spirit of cooperation of the staff of the Department of Public Works, Office of Management and Budget, and the Aquatic Services Division in facilitating this audit.

Brenda Fontenot
Internal Auditor

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EXECUTIVE SUMMARY

I have conducted the Board of County Commissioners' Aquatic Services Division audit. The audit was limited to an examination of the inventory control procedures for chemicals, related safety procedures, compliance with state licensing requirements, policies on equipment usage and maintenance, the bid process, and grant/contract compliance. The audit period encompassed operations from October 1, 2002 through February 29, 2004. In my opinion, the Aquatic Services Division operates overall, in compliance with established guidelines, policies, and controls over operations. However, several areas of exceptions, internal control weaknesses, and areas for improvement were noted.

A review of inventory records revealed highly accurate recordkeeping. The Division Director, Operations Manager and the Technicians effectively maintain a high level of responsibility and accountability for chemical usage. Even with the degree of controls imposed, internal controls could be strengthened by segregating duties and physically securing the warehouse.

Safety for the Aquatic Services Division staff remains a priority. Periodic safety presentations are used as a tool to communicate safety on the job. All technicians are required to maintain an updated notebook of Material Safety Data Sheets on the chemicals used by the Division and comply with the instructions for safe handling the chemicals.

The Aquatic Services Technicians maintain State spraying licenses and participate in the State's continuing education program for chemical spraying. Any newly-hired technician must obtain a spraying license within six months from the date of hire. All technicians possess current licenses.

Adequate controls and policies govern the usage of equipment and the preventive maintenance program. Aquatic Services technicians routinely document any equipment problems, and schedule equipment and vehicle maintenance through Fleet Management.

Aquatic Services management participates in the bid selection process and seeks State grant/contract funding. A review of bid and State grant/contract documents affirmed that Aquatic Services operates, overall, in compliance with established guidelines, policies and procedures. One exception in the bid process is noted in Item 3.



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INTRODUCTION

The results of the audit are indicated below, beginning with an overall evaluation, followed by detailed discussions of the findings and recommendations, along with management's responses.

OVERALL EVALUATION

Overall, the Aquatic Services Division operates in compliance with established policies, procedures and regulations. The audit disclosed a lack of separation of duties for inventory control, a weakness in inventory and equipment security, and noncompliance with the Office of Management & Budget Administrative Regulation 9.01.07-2, "Sole Source" Purchase.

This audit revealed other minor matters requiring management's attention.

BACKGROUND

The Aquatic Services Division of the Department of Public Works successfully operates an aquatic plant management program to control vegetation and maintain navigation in Citrus County's lakes and rivers. In the 2002-2004 fiscal years, approximately \$3,266,000 of State grant/contract funds were expended to control more than 400 acres of tussocks, 550 acres of hyacinths/lettuce, and 280 acres of hydrilla. Projected funds from the State for the fiscal year 2004-2005 are \$4,339,316. Additionally, the Aquatic Services Division maintains boat docks and ramps, the artificial reef site, installs and maintains navigational aids, such as manatee protection signs, boating safety signs, buoys, and receives funding to remove derelict vessels. Aquatic Services Division staff participate in the Lake Tsala Apopka Basin Recreation & Water Advisory Board, the cooperatively-funded Davis Lake Restoration Diagnostic Study, and the annual Adopt-A-Shore program in a county-wide venture with 650 volunteers to cleanup Citrus County's waterways.



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OBJECTIVES

The objectives of this audit were to evaluate inventory control procedures for chemicals, chemical handling, compliance with State licensing requirements, policies on equipment usage and preventive maintenance, safety procedures, the bid process and grant/contract compliance.

The audit is a tool to assist management in the evaluation of the organization's internal controls, established policies, procedures, and operations. This audit is not designed to appraise the performance of management.

SCOPE AND METHODOLOGY

The scope of this audit included reviewing relevant inventory documents, state licensing requirements, policies and procedures, and bid and grant/contract documentation. The following areas were analyzed in performing the audit:

- system of approvals and authorizations
- segregation of duties
- adequate supporting documentation of chemical purchases and usage
- bid process and grant/contract documents

The policies and procedures established in the Office of Management & Budget Administrative Regulations provided the guideline for analyzing the system of approvals and authorizations for purchasing and the bid process.

Interviews were conducted with the Director of Aquatic Services, the Aquatic Operations Manager, and the Aquatic Services staff. The auditor observed the inventory process—the checking in/out of chemicals by spraying technicians, and end of the month inventory by the Aquatic Operations Manager. Tests were conducted on five months of inventory records to verify accuracy, validity and propriety of transactions.

The Aquatic Services Director and Operations Manager implemented some of the following recommendations as findings were discussed during the audit.



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FINDINGS & RECOMMENDATIONS FOR IMPROVEMENTS

1. There was no internal control of segregation of duties for the chemical inventory process.

- The Aquatics Operations Manager orders chemicals, approves the invoices for payment, reconciles the crews' sign-in/out records of chemicals, counts inventory, and maintains the chemical inventory records.
- The Lead Technicians dispense the crews' chemicals according to their daily assignments and record the amounts in their sign-in/out records.

RECOMMENDATION

- a. Good business practice requires a separation of duties in maintaining proper internal controls for inventory. Someone other than the Operations Manager should approve invoices for payment and reconcile the crews' daily sign-in/out records.

During the end of the month inventory observation, the auditor suggested that the Office Coordinator reconcile the crews' sign-in/out chemical records on a daily or weekly basis on a spreadsheet. This would eliminate the conflict of separation of duties, and expedite the end of the month inventory reconciliation by eliminating the manual process of mathematically checking the individual daily records. Any recording discrepancies could be investigated and resolved on a timely basis. The Division Director could review the spreadsheet prior to returning to the Operations Manager for completion of the monthly inventory reconciliation.

- b. Someone other than the spraying technicians should be recording the dispensing of the chemicals. Management should consider assigning this task to the Senior Technician to ensure accuracy of recording and maintain proper separation of duties.



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MANAGEMENT'S RESPONSE

Currently, the Operations Manager orders all chemicals to assure an ample supply is on hand to perform daily operations. An available Aquatic employee checks in deliveries of chemicals. Because most deliveries occur during the middle of the day when all other personnel are in the field, the Operations Manager normally handles this task. Once the invoices are received, the Operations Manager assures that the quantity and price is correct to that amount ordered and received. Lead Technicians are responsible for checking in/out of herbicides, including the amount used and returned. These transactions are reviewed by each of their Technicians that they worked with for that day. After the chemicals are checked in, the Lead Technician enters the amount used on a daily DEP 454 form. At the end of each week, the Operations Manager collects the weekly forms and assures each 454 with the inventory sign in/out sheet.

The audit recommends in 1(a) that a separating of duties in maintaining proper internal controls for inventory should be considered. It recommends that someone other than the Operations Manager should approve invoices and chemical inventory. With the current segregation of duties as listed above, it is my opinion that additional segregation is not warranted. Furthermore, having someone verify an invoice that they did not personally receive the product, would not be as accurate as what is currently in place. Even though the Operations Manager reconciles the end of the month inventory, the Aquatic Services Director approves the monthly inventory.

Additionally, the audit recommends in 1(b) that someone other than the spray technicians should be recording the dispensing of the chemicals and suggests the Senior Technician should perform this task. It is my opinion that having someone record an amount on the chemical sign in/out log who did not verify the amount used in the field would not be as accurate as the current system in place. Furthermore, how could the Senior Technician verify the amount in each container unless he was to physically measure each product?



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AUDITOR'S RESPONSE

It is acknowledged that a complete separation of duties may not be possible or practical in a small operation. However, to maintain integrity of the transactions, the person(s) ordering the products should not be the same person(s) approving the invoices for payment and counting inventory.

As an additional measure to insure accuracy and maintain separation of duties in dispensing the chemicals taken at the beginning of each day, it would seem reasonable to have the Senior Technician perform this task. The system for recording the chemicals at the end of the technician's shift is thorough, since the technicians tag and mark the containers upon their return, and record the amounts used during the day. Separating these functions would provide an independent comparison to determine if the amounts taken, minus the day's usage, equals amounts returned.

2. There was no physical security of inventory and equipment to prevent potential theft, pilferage, and damage to assets.

The value of the chemical inventory at the end of each month during the audit period averaged \$58,570.65. The chemicals are stored in the Aquatic Services Division warehouse, along with the shop equipment. During several site visits, the auditor observed that the warehouse was unlocked during the day. The possibility existed that chemicals or equipment could be removed from the unlocked warehouse during the day, since the Aquatic Services offices are located in a separate building. Therefore, undetected, suspicious activity could occur due to the logistics of the buildings.

RECOMMENDATION

To maintain proper security and prevent potential loss of County assets, the Aquatic Services warehouse should be secured at all times. Employees should be informed about security issues involved and new procedures should be implemented to keep the warehouse locked when no one is utilizing the building.



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MANAGEMENT'S RESPONSE

Recommendation has been implemented.

3. Several chemical purchases were not in compliance with the “Sole Source” Administrative Regulation 9.01.07-2.

Purchases of the chemicals Brace and Activate from ProSource One totaled \$11,707.20 during the period October 15, 2002, through December 17, 2003. The Board’s Administrative Regulation AR: 9.01.07-2 states, “When an item or service is available from only one vendor, a Department/Office/Division Director or his designee may request that the vendor be designated as a sole source by sending the Management & Budget Office a memorandum describing the steps taken to identify potential vendors. When approved, the purchase will be exempt from the quote and bid requirements, but all other purchasing requirements will continue to apply.”

The Aquatic Services Director and Operations Manager commented that these brands work best, based on prior years’ usage, and that other vendors’ equivalents do not perform as well.

RECOMMENDATION

To comply with the Board’s Administrative Regulation, Aquatic Services should request designation of ProSource One as a “Sole Source” provider for purchases of the chemicals Brace and Activate.

MANAGEMENT'S RESPONSE

Regarding the audit recommendation on Item 3, we have included our surfactants on our current herbicide bids. This will eliminate any further discrepancies regarding this issue.