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Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

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"Enhancing Public Trust in Government"

CA-2019-0065

City of Riviera Beach
Follow Up Review to OIG Audit 2019-A-0003

November 13, 2019

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CONTRACT OVERSIGHT REPORT
CA-2019-0065

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FOLLOW UP REVIEW TO OIG AUDIT 2019-A-0003

SUMMARY

WHAT WE DID

The Palm Beach County Office of Inspector General (OIG) conducted a Follow Up Review to determine the disposition of 17 missing items identified in Finding #2 of OIG Audit 2019-A-0003 (Audit) City of Riviera Beach (City) Purchasing Cards and Council Members' Out-of-State Travel, issued on January 17, 2019.

We conducted interviews of City employees and associated individuals as well as reviewed documentation and records related to the purchase and subsequent disposition of the missing items.

WHAT WE FOUND

Of the items listed in the Audit as being unaccounted for, four (4) were located during the Review. Thirteen (13) of the remaining items could not be located. This was due, in part, to item purchase prices being below the inventory policy threshold value of $1,000. Also, purchase receipt descriptions were insufficient for tracking purposes, and there was a lack of records surrounding the purchases, inventory, and disposition.

Additionally, locating these items or determining disposition was severely hampered by City staff turnover, lack of documentation, and incomplete records.

The City is currently developing an Inventory and Small Equipment Policy, and the City purchased a small equipment inventory software program to keep track of small purchases. Additionally, staff is developing a process to dispose and transfer equipment including authorization of such disposals. All of these actions will assist the City in maintaining an accurate accounting of equipment and small equipment expenditures.

BACKGROUND

On May 16, 2019, Inspector General John Carey appeared before the Palm Beach County Inspector General Committee (IG Committee) to present the OIG's Six Month Status Report for the time period of October 1, 2018 to March 31, 2019. One of the items in the presentation was the City's Purchasing Cards and Council Members' Out-of-State Travel Audit (Audit #2019-A-0003) issued on January 17, 2019. When discussing the Audit results, the IG Committee asked for additional information regarding "Finding #2- The City could not locate the items purchased using City Purchasing Cards or verify that they were actually received and maintained by the City for use in City business." The IG Committee suggested further review regarding the missing items.

The OIG Audit found internal control weaknesses and operational areas that needed improvement. We further found that policies and procedures relating to Purchasing Cards (P-Card) and Travel were "generally adequate" and the "main issue was a lack of compliance with the policies and procedures."[1]

We reported that the City could not locate 12[2] of the 51 purchased items that were sampled (24%); therefore, it could not be verified that the items were received and utilized by the City for City business. Additionally, we concluded that the City lacked a process to track items purchased or disposed. The cost of the missing items totaled $3,869.47.

The listing was as follows:

Department	Date Purchased	Purchase Description	Exception Amount	Questioned Cost
Council	10/29/2016	Shoes for costume event	$ 41.55	$ -
IT	11/25/2016	Finance Fire Tablets	$ 220.78	$ -
IT	2/3/2017	Fujitsu ScanSnap for Mayor's Legislative Aid	$ 414.99	**$ 414.99**
IT	2/3/2017	TV for Public Works	$ 499.98	**$ 499.98**
IT	2/23/2017	Huawei Honor 8 Unlocked Smartphone 32GB Dual Camera and Honor Gift Box Bundle	$ 420.58	$ -
IT	3/5/2017	1 Samsung 48-inc LED TV	$ 470.00	$ -
IT	3/27/2017	1 iClever HS20 Gaming Headphones with Noice-canceling Mic, 7.1 Surround Sound Headset	$ 44.98	$ -
IT	3/28/2017	3 Whistler 600 Watt Tailgating 12 V DC to 115 AC Power Inverters	$ 83.16	$ -
IT	8/4/2017	3 NVIDIA Shield TV Streaming Media Players	$ 427.98	$ -
IT	8/17/2017	1 Proscan 4K Ultra HDTV 48" 1 Mounting Dream TV Wall Mount	$ 416.98	$ -
IT	10/26/2017	Portable Loaner Projector	$ 775.00	**$ 775.00**
IT	11/24/2017	1 Harmon Kardon Portable Wireless Speaker	$ 53.49	$ -
		Total	**$3,869.47**	**$1,689.97**

[1] OIG Audit Report 2019-A-0003

[2] The Audit report identified 12 purchases as being purchased/unaccounted for; however, three of the purchase card line items included multiple items (i.e. 3 power inverters, 4 tablets, and 3 media players). Therefore, there were 17 separate items in the 12 purchases.

As a result of the Audit, recommendations were made, which the City accepted. Our recommendations and the City's response were as follows:

OIG Audit Recommendation: The City Information Technology (IT) Department develop and implement a process to track equipment and electronics that are purchased.

OIG Audit Recommendation: The IT Department develop and implement a process for disposal of items that includes having documented approval of the disposal and the date the item is disposed.

OIG Audit Recommendation: The City develop and implement an independent oversight process for all Council members and Mayor purchasing card purchases to ensure compliance with all policy requirements and disposals are properly documented.

City of Riviera Beach Response: Staff concurs and the City will implement an Inventory and Small Equipment Policy. Also, the City has purchased a small equipment inventory software program to keep track of small purchases. Additionally, staff is developing a process to dispose and transfer equipment including authorization of such disposals.

OBSERVATIONS AND ANALYSIS

Coordination with OIG Audit Staff

Audit staff explained that the scope of the Audit was from October 1, 2015 to November 28, 2017, and the Auditors examined over 3,000 purchasing card transactions. OIG Audit staff found audit exceptions[3] ranged from using the P-Card to purchase prohibited items to not being able to locate purchased items. Auditors further explained that during the Audit 12 purchases from the audit sampling could not be located. Audit staff conducted interviews with the City's IT staff Systems Administrators James Wood (Mr. Wood) and Justin Williams (Mr. Williams) as all but one (1) of the missing items were purchased by the Riviera Beach IT department.[4] Mr. Wood and Mr. Williams provided the Auditors the locations of where they thought the items could be located.

During the course of the Audit, the Auditors visited each of the offices/departments that reportedly received the missing items and spoke to staff on site to determine the current whereabouts of the 12 items. City employees reported that some of the items were believed to have been confiscated by the Riviera Beach Police Department (RBPD) as a result of an ongoing investigation. Other items were believed to have been damaged and

[3] "Audit exceptions" refers to transactions that do not comply with the Policies and Procedures or "deviations from the expected result from testing one or more control activities".
[4] One item was a pair of shoes (Purchase Price $41.55) purchased by former Councilman Terrance Davis and was not part of this Management Review.

disposed of; however, no disposition documentation could be located. Lastly, one item was believed to have been loaned out and not returned.

OIG Auditors stated that at the time of the audit, the City did not have policies in place regarding inventorying and/or disposing of City owned property with an acquisition cost of less than $1,000. Therefore, locating the items was based largely on employees' memory. The Auditors could not conclusively determine the disposition of the listed items.

Follow Up Review at the City of Riviera Beach:

In conducting this review, we found that several employees involved in both the P-Card Audit and in making the initial purchases were no longer employed by the City.

On August 21, 2019, we met with newly appointed Chief Information Officer, Tony Parziale (Mr. Parziale), regarding the missing items identified in Finding #2 of the Audit. He stated that prior to his arrival, the City did not have an inventory policy and that the City is working to correct the issues identified by the Auditors. Mr. Parziale further stated that he was not employed with the City at the time of the Audit and therefore does not have any direct knowledge as to the missing items, nor did he know if any of the items had been subsequently located. In reviewing the Audit report with Mr. Parziale, it was determined that Mr. Williams was the only remaining City employee who was involved in the Audit.

On September 26, 2019, we met with Mr. Williams and Mr. Parziale regarding the unaccounted for items. Mr. Williams confirmed that he was present during the Audit and recalled assisting OIG auditors during the course of the audit. He believed all of the items had been accounted for. However, this was not the case as stated in the audit report. Mr. Williams stated that three (3) of the items[5] were confiscated by RBPD as they had been found in a former City IT employee's office upon termination. Mr. Williams then provided us with the RBPD Point-of-Contact for those items. Later, RPBD indicated that these items were not confiscated. Mr. Williams then reported to our staff that he had just heard this from other City staff and did not have any firsthand knowledge.

Mr. Williams also explained that the power inverters[6] were installed in City vehicles, and that he would track down the vehicles and take photographs of them and forward the photographs to us via email. However, Mr. Williams did not provide such photographs.[7]

Mr. Williams had three (3) of the "Finance Fire Tablets" in his office. We viewed and photographed three (3) Xplore XSLATE D10 "rugged" tablets.[8]

[5] iClever Gaming Headphones $44.98, Harmon Portable Wireless Speaker $53.49, and Huawei Smartphone $420.58
[6] Three (3) Whistler 600 Power Inverters; total cost $124.74
[7] On 9/26/19, Mr. Williams agreed to send photographs of the power inverters, OIG staff have followed up with emails to Mr. Williams on 10/7/19, 10/8/19, and 10/17/19, and received no response.
[8] Records reviewed by OIG staff reflect that the original purchase was for four (4) tablets (individual price of $33.33) with additional accessories and taxes for a total cost of $220.78.

Mr. Williams was able to forward a photograph of the Proscan TV wall mount to us, as well as a photograph and asset information from the City's new electronic inventory system.

Lastly, as to the remaining unaccounted for purchases,[9] there was insufficient information available to positively identify the equipment and/or records were lacking. Mr. Williams stated that the descriptions (e.g., "TV for Brynt Johnson Public Works", or "Portable Loaner Projector" found in the City's records) were too generic and without serial numbers or other descriptors locating the equipment would be impossible as these are items commonly found throughout the City offices and may have been previously disposed.

Conclusion:

Upon conclusion of OIG Audit 2019-A-0003, 17 pieces of equipment purchased by City staff utilizing a City purchasing card could not be located. During the course of this follow up review, we were able to identify and find four (4) of the missing items (3 tablets and 1 TV wall mount), thereby leaving 13 unaccounted for at the end of the review. Locating the remaining missing items and/or determining disposition of the items was severely hampered by the following factors: staff turnover, lack of documentation, lack of policy requiring any type of tracking for small purchases, and incomplete and/or vague records. All of these contributing factors were previously addressed in Audit Report 2019-A-0003 by the OIG Auditors.

ACKNOWLEDGEMENT

The Inspector General's Contract Oversight and Evaluations staff would like to extend our appreciation to the City of Riviera Beach for the cooperation and courtesies extended to us during the follow up review process.

This report is available on the OIG website at: http://www.pbcgov.com/OIG. Please address inquiries regarding this report to the Contract Oversight and Evaluations Director by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

[9] Samsung 48-inch LED TV, Samsung 55-inch TV for Brynt Johnson Public Works, and Portable Loaner Projector.