

Audit

Follow Up

As of September 30, 2004



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

“Citywide Disbursements - 2003”

(Report #0410, Issued April 15, 2004)

Report #0521

March 28, 2005

Summary

City departments have completed all but one of the action plan steps developed as the result of our previously issued audit report #0410, Citywide Disbursements 2003, covering the period July 1, 2002, through June 30, 2003. In audit report #0410, issued April 15, 2004, we identified areas in several City departments where improvements should be made to ensure that disbursements were proper, authorized, and in accordance with established laws, rules, policies, and procedures. The applicable City departments had a total of 30 action plan steps due for completion. Those departments have now completed 29 (or 96%) of those steps. In regard to the remaining step, the completion date was amended to May 2005.

Scope, Objectives, and Methodology

The audit and subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and the Standards for the Professional Practice of Internal Auditing, as appropriate.

Report #0410

The scope of report #0410 included a review of all City disbursements made during the period July 1, 2002, through June 30, 2003.

The primary objectives of the audit were to

determine whether the disbursements of City funds were:

- for authorized and necessary purposes;
- made in accordance with governing laws, rules, policies, and procedures;
- supported by appropriate documentation; and
- properly recorded within the City's financial records.

The audit disclosed that, generally, disbursements were proper, authorized, supported and made in accordance with established laws, rules, policies, and procedures. However, the audit identified instances where controls could be improved and where City policy was not followed.

Report #0521

The purpose of this audit follow up is to report on the progress and/or status of the efforts to implement the recommended action plan steps due for completion as of September 30, 2004. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Background

City disbursements during the period July 1, 2002, through June 30, 2003, totaled \$504 million. For audit purposes, those disbursements were classified into five categories: (1) general disbursements, (2) salary, (3) retirement, (4) energy purchases, and (5) contracted legal services.

Previous Conditions and Current Status

In report #0410, we identified several instances where controls were not operating properly to ensure that (1) City funds were disbursed only for authorized purposes, in appropriate amounts, and in accordance with controlling City policies and contractual provisions and (2) disbursements were

properly supported and recorded in the City's accounting records. Thirty action plan steps were developed to address these instances. The eleven applicable departments have completed 29 of the 30 steps. For the one remaining step the completion date was amended to May 31, 2005. Table 1 provides a summary of the action plan steps and their current status.

**Table 1
Action Plan Steps from Report #0410 and Current Status**

Action Plan Steps	Current Status
Procurement Services	
<ul style="list-style-type: none"> • Re-emphasize with applicable staff (Stormwater, Fleet, and Electric Utility), procedures used when procuring services from a contractual agreement and reinforce the requirement to follow contractual provisions, review invoices for compliance, and obtain support for deviations from the stated terms and conditions prior to approval for purchase/payment. 	<ul style="list-style-type: none"> ✓ Procurement Services prepared and distributed two separate documents to all City departments to address this and the following three action plan steps. Those documents included references to the Procurement Policy, Agenda Item Policy, instructions for creating requisitions and purchase orders, bid requirements, sole source requirements, and references to contract information.
<ul style="list-style-type: none"> • Reinforce the significance of complying with City policies and procedures for procurement with applicable staff (Risk Management and Electric Utility) and emphasize documentation requirements and approvals for single (sole) source acquisitions and for any purchase/disbursement when the purpose/direct benefit to the City is not readily apparent based on the nature of the disbursement. 	<ul style="list-style-type: none"> ✓ Action considered completed based on actions taken as described in above action plan step.
<ul style="list-style-type: none"> • Reinforce with applicable staff (Stormwater) the proper coding of expenditures that should be capitalized within the City's fixed asset records. 	<ul style="list-style-type: none"> ✓ Action considered completed based on actions taken as described in above action plan step.
<ul style="list-style-type: none"> • Place emphasis on preparing agenda items that provide the most accurate and proper descriptions. 	<ul style="list-style-type: none"> ✓ Action considered completed based on actions taken as described in above action plan step.

Risk Management	
<ul style="list-style-type: none"> • In conjunction with the Department of Management and Administration and the Human Resources Department, develop a clarifying memorandum that informs both timekeepers and supervisors as to the proper method of recording employees' time when they are receiving workers' compensation benefits. 	<ul style="list-style-type: none"> ✓ The Risk Management Division of the Treasurer-Clerk's Office, Human Resources Department, and Payroll Section of Accounting Services developed a workers' compensation information packet. That packet is provided to applicable timekeepers and supervisors when an employee begins receiving workers' compensation benefits. The information included in the packet is intended to ensure the applicable department administers the workers' compensation benefits properly.
<ul style="list-style-type: none"> • Attach the clarifying memorandum developed in the previous step to the notification that is transmitted to timekeepers and supervisors whenever an employee is on workers' compensation leave. 	<ul style="list-style-type: none"> ✓ The information packet developed as described in the above action plan step is now distributed to applicable timekeepers and supervisors, in conjunction with the notification provided when an employee starts receiving workers' compensation benefits.
City Manager's Office	
<ul style="list-style-type: none"> • Prepare and distribute guidelines that address disbursements of City funds for items such as sponsorships of events or activities that directly benefit City employees (i.e., outside the Employee Reward and Recognition Program). 	<ul style="list-style-type: none"> ★ The completion date has been amended to May 31, 2005.
Accounting Services - Payroll	
<ul style="list-style-type: none"> • Verify court documents in the payroll file with the deduction amounts being withheld on current garnishment orders. 	<ul style="list-style-type: none"> ✓ Garnishments of paychecks based on court orders were reviewed and adjusted as applicable.
<ul style="list-style-type: none"> • In conjunction with the Risk Management Division of the Treasurer-Clerk's Office and the Human Resources Department, develop a clarifying memorandum that informs both timekeepers and supervisors as to the proper method of recording employees' time when they are receiving workers' compensation benefits. 	<ul style="list-style-type: none"> ✓ The Risk Management Division of the Treasurer-Clerk's Office, Human Resources Department, and Payroll Section of Accounting Services developed a workers' compensation information packet. That packet is provided to applicable timekeepers and supervisors when an employee begins receiving workers' compensation benefits. The information included in the

	<p>packet is intended to ensure the applicable department administers the workers' compensation benefits properly.</p>
<ul style="list-style-type: none"> • Obtain verification that the local chapter of the United Way will provide copies of our payroll deduction contribution authorization forms as needed and that they retain them for the required four years, pursuant to applicable record retention requirements. 	<ul style="list-style-type: none"> ✓ A letter from United Way of the Big Bend was obtained. That letter confirmed the United Way's acceptance of the responsibility for retaining voluntary payroll deduction authorization forms in accordance with applicable public record retention laws and for providing those records to the City upon request.
<p>Utility Services</p>	
<ul style="list-style-type: none"> • Place emphasis on securing future advances and down payments of City funds through written agreements prior to the advancement of funds. 	<ul style="list-style-type: none"> ✓ Management has acknowledged the importance of having adequate written agreements in place to secure advances of funds and has placed an emphasis on ensuring that such agreements are in place prior to advancing funds to vendors/business partners in the future.
<ul style="list-style-type: none"> • Clarify and/or amend the October 14, 2003, letter of agreement with Sterling Planet to: <ul style="list-style-type: none"> • Provide for the return of accrued interest for the period that Sterling Planet held the funds in the event the down payment is returned to the City, • Specify the method and manner that accrued interest will be determined, and • Address the substance of the negotiations necessary to provide for the return of the funds. 	<ul style="list-style-type: none"> ✓ A second letter was developed and signed by both the President of Sterling Planet and a representative of the City to further clarify the agreement as to the actions that would be taken in the event the funds advanced to Sterling Planet needed to be returned to the City. That letter specifically provide for the return of any accrued interest, the rate at which interest would be accrued, and the substance of any negotiations that may occur prior to the return of the City's funds.
<ul style="list-style-type: none"> • Process, review, and submit to the City Attorney's Office invoices received for legal services within 15 working days of their receipt. 	<ul style="list-style-type: none"> ✓ Invoices for legal services are generally being reviewed and submitted to the City Attorney's Office within 15 working days of receipt. Reasons for any delays are now being documented.
<p>Tallahassee Police Department</p>	
<ul style="list-style-type: none"> • Complete the recovery of \$3,074 overpayment made to the applicable employee on workers' compensation. 	<ul style="list-style-type: none"> ✓ The garnishment to recover the overpayment made in conjunction with that employee's receipt of excess workers' compensation benefits has

	<p>been established in the PeopleSoft HR system. As of January 7, 2005, the City had recovered \$2,069 (67%) of the overpaid amount. The garnishment will terminate automatically when the entire overpaid amount has been recovered.</p>
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Human Resources	
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<ul style="list-style-type: none"> • In conjunction with the Department of Management and Administration and the Risk Management Division of the Treasurer-Clerk’s Office, develop a clarifying memorandum that informs both timekeepers and supervisors as to the proper method of recording employees’ time when they are receiving workers’ compensation benefits. 	<ul style="list-style-type: none"> ✓ The Risk Management Division of the Treasurer-Clerk’s Office, Human Resources Department, and Payroll Section of Accounting Services developed a workers’ compensation information packet. That packet is provided to applicable timekeepers and supervisors when an employee begins receiving workers’ compensation benefits. The information included in the packet is intended to ensure the applicable department administers the workers’ compensation benefits properly.
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<ul style="list-style-type: none"> • Revise guidelines for lump sum payments to employees for special accomplishments to require documentation of the authorization and approval of those payments at the department/office level. 	<ul style="list-style-type: none"> ✓ The guidelines for the Merit Award Input System have been revised to specifically require departments to prepare and retain documentation and justification of all lump sum payment awards.
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<ul style="list-style-type: none"> • Codify the existing practice for prorating the salary payable to newly hired or terminating Fire personnel who work a partial schedule during the pay period. Salary pro-ration is based on the percentage of time they are on the payroll during the biweekly pay period, not the actual hours worked. 	<ul style="list-style-type: none"> ✓ The process for pro-rating salary payments for Fire personnel when less than a full pay period is worked (i.e., newly hired or terminated employees) has been documented and distributed to the Fire Department and the Payroll Section of Accounting Services.
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Parks and Recreation	
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<ul style="list-style-type: none"> • For a given task, pay the single established rate of pay for all work relating to the task. 	<ul style="list-style-type: none"> ✓ A pay rate has been established for each task that temporary employees may perform. As a result of the variety of tasks that a temporary employee may perform during a pay period, management determined it likely that a temporary employee may be paid multiple rates during a single pay period.
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<ul style="list-style-type: none"> • Properly and accurately record time worked by temporary employees in the PeopleSoft HR system. 	<ul style="list-style-type: none"> ✓ Steps have been taken to ensure that time worked by temporary employees is accurately recorded in the PeopleSoft HR system. Those steps included holding training sessions with all timekeepers and implementing a process whereby administrative staff conducts periodic secondary reviews of payroll to ensure that time is accurately entered.
<p>Neighborhood and Community Services</p>	
<ul style="list-style-type: none"> • Remind administrative staff of the importance of reviewing and recording necessary data in the PeopleSoft payroll records to preclude generation of paychecks for terminated employees. 	<ul style="list-style-type: none"> ✓ In various communications, management emphasized to supervisors and administrative staff the process for completing paperwork and payroll information for terminating employees.
<p>Taltran</p>	
<ul style="list-style-type: none"> • Terminate the temporary employment of the fire driver employed as a part-time coach operator. 	<ul style="list-style-type: none"> ✓ The temporary employment of the fire driver as a coach operator was terminated.
<p>City Attorney's Office</p>	
<ul style="list-style-type: none"> • Request a credit on future invoices for the \$1,269 over-billed. 	<ul style="list-style-type: none"> ✓ A letter requesting credit on future legal services for prior over-billings was sent. As a result, the applicable firm credited the City on a subsequent invoice for \$122. Based on a subsequent understanding obtained by City Attorney staff through further communication with the applicable firm, a determination was made that the remaining \$1,147 was not an over-billing.
<ul style="list-style-type: none"> • Amend the applicable contract with the firm for Regional Transmission Organization (RTO) issues to address the language regarding annual rate increases. 	<ul style="list-style-type: none"> ✓ Through a letter issued to the applicable firm, the contract was amended to allow for annual rate increases upon mutual agreement of both parties.
<ul style="list-style-type: none"> • Obtain and retain documentation to substantiate any changes to rates as provided by an initial contract. Reflect the approval of the City Attorney's Office of those rate changes on that documentation. 	<ul style="list-style-type: none"> ✓ Requests for and acceptance of rate changes in relation to contracted hourly rates for outside legal counsel are now being retained.

<ul style="list-style-type: none"> • For each payment for legal services, reflect on the related invoice whether it is pursuant to a contract. If pursuant to a contract, reflect the specific contract to which the services and payment pertain. 	<ul style="list-style-type: none"> ✓ Notations (i.e., contract number) are now added to payment requests and invoices to show the contract (if any) to which the billing pertains.
<ul style="list-style-type: none"> • Assume responsibility for verifying that rates charged for outside counsel legal services are in accordance with contractual terms and provisions. 	<ul style="list-style-type: none"> ✓ The City Attorney's Office has accepted and assumed responsibility for ensuring that billings for outside counsel legal services are made in accordance with applicable terms and provisions.
<ul style="list-style-type: none"> • Prepare and distribute a memorandum to all departments/offices using outside legal services, informing them of their responsibilities and the City Attorney's responsibilities in reviewing and processing invoices for outside legal counsel. 	<ul style="list-style-type: none"> ✓ A memorandum was distributed to all City departments utilizing outside legal counsel. That memorandum outlined the responsibilities of both the departments and the City Attorney's Office in relation to reviewing and processing invoices from outside counsel.
<ul style="list-style-type: none"> • Process, review, and submit invoices to Accounts Payable for payment within 15 days of their receipt by the City Attorney's Office. 	<ul style="list-style-type: none"> ✓ An emphasis has been placed on processing invoices for payment within 15 days of receipt. Delays typically only occur when there are discrepancies with the invoices.
<ul style="list-style-type: none"> • Document extenuating circumstances for all invoices that cannot be processed, reviewed, and submitted in a timely manner. 	<ul style="list-style-type: none"> ✓ The reasons and causes for any delays in processing invoices are now documented through notations added to the invoice.
<ul style="list-style-type: none"> • Notify law firms that the period for billing is being extended from 15 days to 30 days following the month services are rendered, and advise law firms that if timely statements are not received, the contract is subject to termination. 	<ul style="list-style-type: none"> ✓ A letter was sent to the applicable firm notifying them that invoices must be submitted for payment no later than the 30th day of the month following the month in which the services were rendered. Applicable firms were also notified that noncompliance would make the contract subject to termination.

Table Legend:

- Issue addressed in the original audit.

- ✓ Issue addressed and considered resolved for purposes of this follow up.
- ★ Not done, initial completion date amended.

Conclusion

As noted above, the eleven applicable departments and offices have taken appropriate steps to complete 29 of the 30

action plan steps developed for this audit. The completion date for the remaining step, involving the development of guidelines for City sponsorships of events or activities that benefit employees, was amended to May 31, 2005. We will follow up and report on this

remaining step in our subsequent follow up engagement.

We appreciate the assistance provided by applicable City departments and offices during this audit.

**Response from
Appointed Officials**

City Manager Response:

I was pleased to see that 29 of the 30 action steps were completed. I want to thank staff for their diligence in completing these tasks.

Also I want to thank the City Auditor's staff for their recommendations for improving our disbursement process.

City Treasurer-Clerk Response:

I am very pleased that the Treasurer/Clerk's Risk Management Division has implemented the Audit Report's recommended system to inform timekeepers and superiors as to the proper method to record employee's time while they are

receiving workers compensation benefits. We appreciate the thorough review of the City's disbursement function conducted by the City Auditor's staff and believe that recommendations made in the review will greatly enhance the disbursement function.

City Attorney Response:

Thank you for giving me and my staff an opportunity to respond to the recent follow up of the 2003 disbursements audit. As in the past, I am very pleased with the thoroughness, quality, and professionalism of the follow up audit. I am pleased to report that with the constructive feedback provided by the Audit staff, the City Attorney's Office is in a position to ensure that disbursements to outside legal counsel is based on timely and properly prepared invoices, and that all City staff involved in the payment process ensures that payments are made in a timely manner. Our office has strived to ensure areas of weakness have been tightened for better control and compliance. We appreciate you and your staff's help in making this a better process.

Copies of this Audit Follow Up or audit report #0410 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit Follow Up conducted by:
Dennis Sutton, CPA, CIA, Senior Auditor
T. Bert Fletcher, CPA, Audit Manager
Sam M. McCall, CPA, CGFM, CIA, CGAP, City Auditor