

# **Final Audit Follow Up**

*As of September 30, 2005*



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City Auditor

## ***“Citywide Disbursements - 2003”***

*(Report #0410, Issued April 15, 2004)*

**Report #0611**

**March 8, 2006**

### **Summary**

*This is the final follow up on the previously issued audit report #0410, Citywide Disbursements 2003, covering the period July 1, 2002, through June 30, 2003. Applicable City departments have completed each of the 30 action plan steps developed to address the issues identified in that audit. The one action plan step completed for this reporting period pertained to developing guidelines for the use of City funds to sponsor “employee teams” in activities/sports outside the regular City workday.*

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. Thirty action plan steps were developed to address those areas. The applicable City departments have completed those 30 steps.

### **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 #0611**

This is our second and last follow up on the progress and status of efforts to implement the 30 action plan steps identified in audit report #0410. In our first follow up, we reported on the progress and status of efforts to implement those 30 action plan steps, each initially due for completion no later than September 30, 2004. In the report on that initial follow up (report #0521), we noted that applicable City departments and offices had successfully completed and resolved 29 of the 30 action plan steps. The purpose of this

second and final follow up is to report on the status of the one uncompleted action plan step, for which the initial planned completion date (June 30, 2004) was revised to May 31, 2005.

**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 11 applicable departments have completed those 30 steps. Table 1 provides a summary of the action plan steps and their current status.

**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.

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

Action Plan Steps	Current Status
<b>Procurement Services</b>	
<ul style="list-style-type: none"> <li>• Reemphasize 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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in prior period.</li> </ul>

<ul style="list-style-type: none"> <li>• Reinforce with applicable staff (Stormwater) the proper coding of expenditures that should be capitalized within the City’s fixed asset records.</li> </ul>	<p>✓ Completed in prior period.</p>
<ul style="list-style-type: none"> <li>• Place emphasis on preparing agenda items that provide the most accurate and proper descriptions.</li> </ul>	<p>✓ Completed in prior period.</p>
<p><b>Risk Management</b></p>	
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<p>✓ Completed in prior period.</p>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<p>✓ Completed in prior period.</p>
<p><b>City Manager’s Office</b></p>	
<ul style="list-style-type: none"> <li>• 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).</li> </ul> <p>(NOTE: This action plan was developed as the result of audit’s determination that the Electric Transmission and Distribution Division Utility used City funds (\$100) to sponsor a team (comprised of City employees) in a bowling league (not a City-funded league).</p>	<p>✓ On March 1, 2006, the City Manager issued a letter to City department directors that described the new policy regarding use of City funds to sponsor “employee teams” relating to activities outside the regular workday. That policy provides for a funding source to be created within the Human Resources Department’s Wellness Program, wherein department directors can request City funding for a team building activity/sport that involves physical fitness that will also benefit employee health. The policy provides that, upon approval by the department director, the City will pay one half (50%) the cost of the team fee, with a maximum City contribution of \$300.</p>

<b>Accounting Services - Payroll</b>	
<ul style="list-style-type: none"> <li>• Verify court documents in the payroll file with the deduction amounts being withheld on current garnishment orders.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓ Completed in prior period.
<b>Utility Services</b>	
<ul style="list-style-type: none"> <li>• Place emphasis on securing future advances and down payments of City funds through written agreements prior to the advancement of funds.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• Clarify and/or amend the October 14, 2003, letter of agreement with Sterling Planet to:                             <ul style="list-style-type: none"> <li>• 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,</li> <li>• Specify the method and manner that accrued interest will be determined, and</li> <li>• Address the substance of the negotiations necessary to provide for the return of the funds.</li> </ul> </li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• Process, review, and submit to the City Attorney's Office invoices received for legal services within 15 working days of their receipt.</li> </ul>	✓ Completed in prior period.

<b>Tallahassee Police Department</b>	
<ul style="list-style-type: none"> <li>Complete the recovery of \$3,074 overpayment made to the applicable employee on workers' compensation.</li> </ul>	✓ Completed in prior period.
<b>Human Resources</b>	
<ul style="list-style-type: none"> <li>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.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>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.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>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 proration is based on the percentage of time they are on the payroll during the biweekly pay period, not the actual hours worked.</li> </ul>	✓ Completed in prior period.
<b>Parks and Recreation</b>	
<ul style="list-style-type: none"> <li>For a given task, pay the single established rate of pay for all work relating to the task.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>Properly and accurately record time worked by temporary employees in the PeopleSoft HR system.</li> </ul>	✓ Completed in prior period.
<b>Neighborhood and Community Services</b>	
<ul style="list-style-type: none"> <li>Remind administrative staff of the importance of reviewing and recording necessary data in the PeopleSoft payroll</li> </ul>	✓ Completed in prior period.

records to preclude generation of paychecks for terminated employees.	
<b>Taltran</b>	
<ul style="list-style-type: none"> <li>• Terminate the temporary employment of the fire driver employed as a part-time coach operator.</li> </ul>	✓ Completed in prior period.
<b>City Attorney's Office</b>	
<ul style="list-style-type: none"> <li>• Request a credit on future invoices for the \$1,269 over-billed.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• Amend the applicable contract with the firm for Regional Transmission Organization (RTO) issues to address the language regarding annual rate increases.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• Assume responsibility for verifying that rates charged for outside counsel legal services are in accordance with contractual terms and provisions.</li> </ul>	✓ Completed in prior period.
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	✓ Completed in prior period.

<ul style="list-style-type: none"> <li>Process, review, and submit invoices to Accounts Payable for payment within 15 days of their receipt by the City Attorney's Office.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Document extenuating circumstances for all invoices that cannot be processed, reviewed, and submitted in a timely manner.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in prior period.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in prior period.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit.

- ✓ Issue addressed and considered resolved for purposes of this follow up.

**Conclusion**

As noted above, the 11 applicable departments and offices have completed each of the 30 action plan steps developed for this audit.

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

**Response from Appointed Official**

**City Manager Response:**

I'd like to thank the City Auditor and his staff for the thorough review of our disbursement processes. This has become an integral part of ensuring that internal controls are in place for all payments made by the City. The recommendations made enhance the level of our internal controls.

I am pleased to see that all action steps have been completed by my staff. The annual disbursements audit gives management comfort that systems are in place to provide that payments are made for properly authorized expenditures and are properly supported in the accounting records.

(NOTE: No responses were solicited from the City Treasurer-Clerk or the City Attorney for this follow up engagement, as all actions plan steps relating to their offices were completed as reported in the prior follow up engagement. For the City Treasurer-Clerk and City Attorney responses to that prior follow up engagement, see City Auditor report #0521.)

Copies of this Audit Follow Up or audit report #0410 may be obtained from the City Auditor's web site (<http://www.talgov.com/auditing/auditreports.cfm>), 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](mailto:auditors@talgov.com)).

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