

Final Audit Follow Up As of March 31, 2003



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“Citywide Disbursements 2001” (Report #0212, Issued February 7, 2002)

Report #0321

July 11, 2003

Summary

City departments have implemented all action plan steps developed as the result of our previously issued audit report #0212, Citywide Disbursements 2001, covering the period July 1, 2000, through June 30, 2001. In audit report #0212, issued February 7, 2002, we identified areas in 15 City departments where improvements should be made to ensure that disbursements were proper, authorized, and in accordance with established laws, rules, and procedures. We also identified actions that should be taken to recover funds owed the City by external parties. The 15 applicable City departments had a total of 34 action plan steps due for completion. Those departments have now implemented all of those steps.

- supported by appropriate documentation, and
- properly recorded within the City’s financial records.

The audit disclosed that, generally, disbursements were proper, authorized, and made in accordance with established laws, rules, and procedures. However, the audit identified instances of inappropriate payments and opportunities to improve and enhance the disbursement process.

Report #0321

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 through March 31, 2003. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation. This audit was conducted in accordance with Generally Accepted Government Auditing Standards and the Standards for the Professional Practice of Internal Auditing, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

Scope, Objectives, and Methodology

Report #0212

The scope of report #0212 included a review of City disbursements made during the period July 1, 2000, through June 30, 2001.

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, and procedures,

Background

City disbursements during the period July 1, 2000, through June 30, 2001, totaled \$474 million. For audit purposes, those disbursements were classified into several categories: (1) payroll, (2) general disbursements, (3) retirement benefits, (4) energy purchases, (5) capital outlay, (6) risk management, and (7) petty cash disbursements.

Previous Conditions and Current Status

In report #0212, we identified several areas that needed to be addressed, including, but not limited to, improvements and enhancements to existing

procedures, recovery of funds from certain external entities, and over and under payments to employees. The 15 applicable departments have completed all 34 (100%) of the action plan steps. Table 1 provides a summary of the action plan steps and their current status.

**Table 1
Action Plan Steps from Report #0212 and Current Status**

Action Plan Steps	Current Status
Accounts Payable	
<ul style="list-style-type: none"> Recover funds from applicable vendors for those duplicate payments identified by the audit or by vendor/City staff prior to audit inquiry. 	<ul style="list-style-type: none"> ✓ Of the \$342,966 in duplicate payments addressed by the audit, \$249,881 (or 73%) was detected by City staff or vendors and recovered prior to our audit inquiry. Of the remaining \$93,085: <ul style="list-style-type: none"> \$43,646 was recovered from the vendor through reimbursement check or credit; \$16,880 was referred to the Fleet division for recovery efforts (the majority of those funds were recovered); \$23,921 was determined not to be duplicates; and Recovery efforts were not successful or cost beneficial for the remaining \$8,638. <p>During those collection efforts, Accounts Payable staff identified and recovered an additional \$8,880.</p>
<ul style="list-style-type: none"> Reorganize staff assignments to increase familiarity with specific vendors thereby increasing the likelihood of recognizing and identifying duplicate invoices. 	<ul style="list-style-type: none"> ✓ Changes were made within Accounts Payable such that: (1) responsibility for identifying duplicate payments through software queries and analyses was assigned to a specific employee and (2) primary voucher processing responsibilities for individual staff members are now by City department. The latter of these two changes increases staff's familiarity and knowledge of voucher activity for individual City departments and offices, thereby increasing the likelihood of detecting and precluding duplicate payments.
<ul style="list-style-type: none"> Hold training sessions with staff that provide an understanding of the risks and potential for duplicate payments. 	<ul style="list-style-type: none"> ✓ Training materials were modified to help educate employees about the possibilities of duplicate payments and training sessions were held.
<ul style="list-style-type: none"> Take appropriate action to stop disbursements of funds or recover funds based on the results of queries designed to identify duplicate payments. 	<ul style="list-style-type: none"> ✓ When identified, duplicate payments are stopped and the related checks voided.

<ul style="list-style-type: none"> • For payments determined to be duplicates (1) before the checks are generated or issued or (2) after the checks are issued but before they are paid by the City's bank, action will be taken to eliminate the payments from PeopleSoft FMS on the same day that the cancelled checks/stop payment notices are received in Accounts Payable. 	<ul style="list-style-type: none"> ✓ Payments are deleted once positively identified as duplicate payments.
<ul style="list-style-type: none"> • Recover the overpayments made to the vendor providing dumpster rental services. 	<ul style="list-style-type: none"> ✓ Funds have been recovered.
<p>Department of Management and Administration</p>	
<ul style="list-style-type: none"> • Revise the PeopleSoft duplicate payment indicator such that duplicates are identified on the following three factors: (1) amount, (2) vendor number, and (3) invoice number. 	<ul style="list-style-type: none"> ✓ The duplicate payment indicators have been modified to include only the three factors indicated.
<ul style="list-style-type: none"> • Develop and run queries at least monthly to identify duplicate payments in the PeopleSoft FMS. Provide results of those queries to Accounts Payable. 	<ul style="list-style-type: none"> ✓ Queries to identify potential duplicate payments are run daily to preclude duplicate payments from being made.
<ul style="list-style-type: none"> • Include in PeopleSoft training sessions (1) the risks for duplicate payments and (2) procedures department staff can use to detect duplicate pay requests prior to submission of pay requests to Accounts Payable. 	<ul style="list-style-type: none"> ✓ The training and training materials have been modified to communicate the risks that may increase the likelihood of duplicate payments. Training includes illustrations of actions that can be taken to help prevent duplicate payment.
<ul style="list-style-type: none"> • Develop queries of the PeopleSoft Human Resources Management System (HRMS) that identify (1) instances where terminated employees receive more than one payment for unused leave, (2) instances where employees enrolled in the City's health insurance plan receive pay supplements intended for employees not enrolled in that plan, and (3) police officers and investigators receive pay supplements in amounts above a pre-established threshold. 	<ul style="list-style-type: none"> ✓ Queries have been developed and are run on a periodic basis. While DMA runs most of these queries, health insurance benefits are managed by Human Resources. Therefore, the query relating to health insurance is run and resulting issues are addressed by that department.
<ul style="list-style-type: none"> • Provide supplemental training to City departments and offices determined to have difficulties in properly processing invoices under the PeopleSoft FMS. 	<ul style="list-style-type: none"> ✓ Requisition and receiver training is periodically offered to City employees and may be taken as many times as necessary to ensure an understanding of processing invoices in PeopleSoft FMS.

Accounting Services	
<ul style="list-style-type: none"> • Run the PeopleSoft HRMS queries (developed pursuant to the step above) for each pay cycle prior to disbursement of payroll funds, and take actions as appropriate. 	<ul style="list-style-type: none"> ✓ Queries are run each pay period, and appropriate actions are taken to ensure only proper and accurate pay supplements are made.
<ul style="list-style-type: none"> • Complete timely reconciliations of quarterly Prudential statements reflecting activity in the City’s investment account maintained for “50 percent additional payments” under the defined contribution plan. “Timely” for purposes of these reconciliations means no later than 30 days subsequent to the date of receipt of the quarterly statement. “Complete” for purposes of these reconciliations means that (1) all disbursements of funds reflected on the statements will be reconciled to evidence of retirement section authorizations, (2) all wire transfers into that account based on City Treasurer-Clerk’s records will be traced to the statements, and (3) all reconciling items/issues will be resolved within 45 days of receipt of the statement. 	<ul style="list-style-type: none"> ✓ Reconciliations of the quarterly Prudential statements reflecting activity in the City’s investment account maintained for “50 percent additional payments” under the defined contribution plan are being completed within 30 days of the end of each quarter.
Aviation Department	
<ul style="list-style-type: none"> • Hold training sessions with applicable staff that provide an understanding of terms and conditions of agreements for contractual services. 	<ul style="list-style-type: none"> ✓ Training sessions were held.
Procurement Services	
<ul style="list-style-type: none"> • Hold training sessions with staff reinforcing the significance of ensuring compliance with contractual terms and conditions and competitive procurement practices. 	<ul style="list-style-type: none"> ✓ Training sessions were held.
Streets and Drainage	
<ul style="list-style-type: none"> • Hold training sessions with applicable staff reinforcing the necessity of timely recording of acquisition data (e.g., purchase and receipt of goods and services) into the PeopleSoft FMS. 	<ul style="list-style-type: none"> ✓ This issue was addressed as part of training provided to administrative staff.
Fire Department	
<ul style="list-style-type: none"> • Assign responsibility for timely processing applicable invoices to alternate staff when employees who normally perform that function are on leave. 	<ul style="list-style-type: none"> ✓ A back up has been identified and assigned that responsibility.

Utility Business and Customer Services	
<ul style="list-style-type: none"> • Hold training sessions with applicable staff to address the requirements for earning and using compensatory leave. 	<ul style="list-style-type: none"> ✓ Training was held. As part of that training, copies of the City policy relating to compensatory leave were distributed.
<ul style="list-style-type: none"> • Hold training sessions with staff authorized to approve petty cash reimbursement requests that address proper coding of those requests. 	<ul style="list-style-type: none"> ✓ Training was held and a copy of the City's chart of accounts was distributed with the training materials.
Building Services	
<ul style="list-style-type: none"> • Establish a process to retain employee authorizations to withhold parking fees from salary disbursements in accordance with City record retention requirements. 	<ul style="list-style-type: none"> ✓ A new parking authorization form was developed and departmental procedures were amended to require retainment of those forms in accordance with record retention requirements.
Retirement Section	
<ul style="list-style-type: none"> • Complete revisions of language in the City's defined benefit pension plans as addressed in the audit report to reflect City intent and practice. 	<ul style="list-style-type: none"> ✓ City Ordinances No. 01-0-59 and 01-0-85 amended applicable language to reflect City intent and practice.
Electric Operations	
<ul style="list-style-type: none"> • Complete acquisition and installation of recording system at the electric operations control center that will capture all phone conversations between control center staff and energy suppliers. 	<ul style="list-style-type: none"> ✓ The recording system has been acquired and implemented. Among other things, the system records deals consummated by phone. Additionally, written confirmations are being obtained by facsimile.
Energy Services	
<ul style="list-style-type: none"> • Obtain written confirmations from all vendors for open market purchases consummated over the telephone by staff at the Gemini Building. 	<ul style="list-style-type: none"> ✓ Confirmations are now being made by e-mail.
<ul style="list-style-type: none"> • Hold training sessions with applicable staff addressing the requirements and intent of thresholds established for petty cash purchases. 	<ul style="list-style-type: none"> ✓ Training was held that addressed the requirements and intent of established thresholds.
Fleet	
<ul style="list-style-type: none"> • Make efforts to recover the \$711 discount not received from the applicable vendor. 	<ul style="list-style-type: none"> ⊘ Notwithstanding that the contract provided for a discount on purchases from the vendor, management revisited this issue and made a determination that discounts did not apply to accessories.

Revenue Office	
<ul style="list-style-type: none"> • Revise existing written procedures for petty cash to limit individual reimbursements to \$50 or less. 	<ul style="list-style-type: none"> ✓ Procedures have been revised to limit petty cash reimbursements to \$50.
<ul style="list-style-type: none"> • Revise existing written procedures to no longer allow reimbursements of requests greater than the established threshold upon approval by the City Treasurer-Clerk. 	<ul style="list-style-type: none"> ✓ Provisions for exceptions to the established threshold have been removed under the new policy.
<ul style="list-style-type: none"> • Decentralize the petty cash reimbursement process by establishing a separate imprest cash fund in each major outlying location. 	<ul style="list-style-type: none"> ✓ Separate imprest funds have been established in some major outlying departments; others may be established as needed.
<ul style="list-style-type: none"> • Based on the decentralization as noted above, limit petty cash reimbursements by the Revenue Office to departments and offices located in City Hall. 	<ul style="list-style-type: none"> ✓ The new policy limits reimbursements from the Revenue Office to City Hall employees.
<ul style="list-style-type: none"> • Revise existing written petty cash procedures to limit department approval authority to the department/office head and one managerial employee designated by the department/office head. 	<ul style="list-style-type: none"> ✓ The new policy limits department approval authority to the department/office head and one managerial employee.
<ul style="list-style-type: none"> • Revise existing written procedures for petty cash disbursements to require all City departments and offices located in City Hall to provide the names and signatures for their department head and the managerial employee designated to approve reimbursement requests. Those procedures will provide instructions for updating those lists as employee assignments change. 	<ul style="list-style-type: none"> ✓ A list of approving managers will be obtained to assist Revenue Office staff in verifying that only authorized managers are approving petty cash disbursements. However, management has decided that obtaining and comparing signatures of approving managers is not feasible and, as such, the new policy does not require the submission of sample signatures.
<ul style="list-style-type: none"> • Distribute written procedures for petty cash reimbursements as revised pursuant to the above steps to all City departments and offices. 	<ul style="list-style-type: none"> ✓ The new petty cash policy has been posted on the City's internal web site, "CityNet." An e-mail was distributed to management (Leadership Team) informing them of the revised petty cash procedures.
<ul style="list-style-type: none"> • Mark "PAID" or otherwise cancel documentation (e.g., vendor receipts/invoices and reimbursement request forms) supporting petty cash reimbursements upon reimbursement to the employee. 	<ul style="list-style-type: none"> ✓ Documentation supporting petty cash disbursements is defaced by being stamped paid.

Taltran	
<ul style="list-style-type: none"> • Hold training sessions with staff authorized to approve petty cash reimbursement requests to address proper coding of those requests. 	<ul style="list-style-type: none"> ✓ Training was held.

Table Legend:

- Issue addressed in the original audit.
- ✓ Issue addressed and resolved.
- ⊘ Management determined that action is no longer needed.

Conclusion

As noted above, applicable departments have taken appropriate steps to complete all action plan steps due.

We appreciate the assistance provided by the applicable departments during this audit and commend them for their follow up actions.

Response from Appointed Officials

City Manager Response:

My staff has completed all the action steps as defined. I believe that the recommendations have provided the City with increased controls in the cash disbursements area. I want to thank the City Auditor's staff for their input and my staff for their timely completion of the recommendations.

City Treasurer-Clerk Response:

The Treasurer-Clerk's Office has implemented all the action plans recommended in the Citywide Disbursements 2001 Audit. We believe that the implementation of the recommendations made in the audit will enhance the internal controls and increase the operating efficiencies of the City's Disbursement function.

Copies of this Final Audit Follow Up or audit report #0212 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 (dooleym@talgov.com).

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