

Audit

Follow Up

As of March 31, 2002



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

“Citywide Cash Controls – Development and Transportation Services” (Report #0134, Issued August, 2001)

Report #0231

July 25, 2002

Summary

The various departments within Development and Transportation Services have completed many of the action steps developed as the result of our previously issued audit report #0134, Citywide Cash Controls. Actions have been initiated to address a significant number of the remaining steps. Significant remaining issues include, for example: (1) independent verifications and reconciliations of recorded activity to collections received and deposited, (2) establishment of controls over competency cards issued to contractors, and (3) timely and direct transfer of collections to the Revenue Office for deposit.

In audit report #0134, issued August 29, 2001, we identified significant risks at several locations throughout the City that increased the likelihood that cash collections would not be properly and efficiently handled and deposited into the City's bank account. Recommendations were provided to eliminate or reduce those risks. The collections to which these risks and related recommendations pertained were classified into 26 categories. A separate presentation of the risks and recommendations for each category was provided in audit report #0134. Action plan steps were developed for each of the 26 categories.

The departments within Development and Transportation Services were responsible for eight of the 26 categories. The applicable departments/offices were (1) Growth Management, (2) Airport, (3) Real Estate, (4) Taltran, (5) Public Works Engineering, and (6) Planning. These departments/offices had a total of 57 action plan steps due for completion as of March 31, 2002. Most of these steps have been completed or initiated.

Scope, Objectives, and Methodology

Report #0134

The scope of report #0134 included a review of cash collection and processing functions at each City location where significant amounts of cash were collected. The audit focused on controls pertaining to cash upon collection by the City and/or City employees. The review was conducted during the period January 2, 2001, through May 15, 2001.

The primary objectives of the audit were to determine whether adequate controls had been established over cash collected throughout the City. This included a determination as to whether cash collections were:

- received and processed in a proper and efficient manner,
- adequately documented and accounted for,
- safeguarded, and
- timely deposited into the City's bank account.

The audit disclosed that, for the most part, controls were in place to provide accountability for collections from the time of receipt until deposit. However, the audit identified significant risks at several locations that (1) could result in the undetected loss or unauthorized diversion of cash, (2) limit the interest that could be earned on cash upon deposit, and/or (3) result in cash due the City not being received.

Report #0231

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 as of March 31, 2002. To meet this objective and to facilitate the usefulness of our follow up work, a separate follow up report will be issued for each of the five service areas to which the initial audit pertained. The service area

addressed by this report is Development and Transportation Services.

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 accordingly included such tests of the records and other auditing procedures as were considered necessary.

Background

The City collected revenues (i.e., cash) of approximately \$414 million at 22 separate departments/offices during fiscal year 2000. Those 22 locations were comprised of the Revenue Office and 21 departments/offices external to the Revenue Office. For audit purposes, the collections at those 22 locations were classified into 26 categories.

Eight of the 26 categories pertained to offices that are organizationally under Development and Transportation Services. Those eight categories included:

- Growth Management
- Airport Operations
- Airport Jetport Diner
- Real Estate – Parking, Leases, and Closings
- Real Estate – Cemetery Sales
- Taltran
- Public Works Engineering, and
- Planning

Collections for these eight categories during fiscal year 2000 totaled approximately \$27.88 million.

Previous Conditions and Current Status

In report #0134, we identified several risks that needed to be addressed in regard to collections received at Growth Management, the Airport, Real Estate, Taltran, Public Works Engineering, and Planning. These risks included, for example, unsecured collections, inadequate segregation of duties among employees, untimely deposits, lack of restrictive endorsements on negotiable instruments, lack of independent verifications of collections to deposits, and lack of records adequately documenting dates of receipt or custodial transfers to the Revenue Office. Action plan steps were developed to address those risks. The current status of tasks due as of March 31, 2002, is as follows:

Tasks Due and Completed				
Area	Total Tasks Due	Completed	In Process	Not Completed
Growth Mgt.	10	3	7	–
Airport	15	13	2	–
Real Estate	11	9	2	–
Taltran	1	1	–	–
Engineering	11	8	2	1
Planning	9	3	2	4
Total	57	37	15	5

Table 1 provides a summary of the conditions and actions taken.

Table 1
Conditions Identified in Report #0134 and Current Status

Previous Conditions	Current Status
Growth Management	
<ul style="list-style-type: none"> • Competency cards available for issuance to contractors will be sequentially numbered. 	<ul style="list-style-type: none"> o Completion of action plan steps relating to competency cards was delayed as staff assigned to complete these steps was temporarily reassigned to the City's PeopleSoft CIS implementation team. However, subsequent to March 31, 2002, actions were initiated to complete those steps. For example: (1) plans have been made to obtain sequentially numbered competency cards and (2) necessary programming changes to the Permit Enforcement Tracking System [PETS] have been made and tested and will be placed into operation in the near future. Completion of those actions will

	provide management a means to account for competency cards and to ensure that fees are properly collected and deposited.
<ul style="list-style-type: none"> An accounting of competency cards will be maintained that reflects the disposition of each card made available for issuance. 	o Same as above.
<ul style="list-style-type: none"> Appropriate programming changes will be made that allow the Permit Enforcement Tracking System (PETS) to reflect the applicable sequential number for each competency card that is issued. 	o Same as above.
<ul style="list-style-type: none"> Independent and/or supervisory verifications of competency cards issued to fees collected as recorded in PETS will be done. 	o Same as above.
<ul style="list-style-type: none"> The PETS will be programmed to generate a daily summary report that reflects total competency card certification fees collected each day. 	o Same as above.
<ul style="list-style-type: none"> Independent and/or supervisory comparisons will be conducted of fees collected per the daily summary reports (see preceding action step) to actual collections picked up by the Revenue Office or deposited by Growth Management staff. 	o Same as above.
<ul style="list-style-type: none"> To the extent practicable, duties among staff will be segregated such that employees collecting competency card fees will not also access and issue competency cards. 	o Same as above.
<ul style="list-style-type: none"> In the Land Use/Environmental Services section, those receiving requests for and making document copies will not provide such copies to customers until a paid receipt is presented. Customers will make payment to an employee different from the maker and handler of the copies. 	✓ Employee functions relating to provision of document copies to the public and collection of the related fees have been properly segregated.
<ul style="list-style-type: none"> Growth Management will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt. 	✓ Negotiable instruments are now restrictively endorsed with a stamp obtained from the Revenue Office.
<ul style="list-style-type: none"> Credit will no longer be extended to selected contractors. Contractors will be allowed to deposit funds into trust accounts maintained by the City and accounted for in PETS, against which fees can be applied as permits are obtained. 	✓ Credit is no longer extended. For applicable contractors, permit fees are now paid from funds maintained in the described trust accounts.
Airport – Operations and Jetport Diner	
<ul style="list-style-type: none"> Fees collected for permit issuances and replacements of security badges will be secured in a locked box in the Supervisor's office. Access to the lock box contents will be restricted to authorized staff. 	✓ Collections are secured as described. Access is properly restricted.

<ul style="list-style-type: none"> • Keys to vending machines will be stored in the safe located in the Airport Finance and Administration office. 	<ul style="list-style-type: none"> ✓ All keys to vending machines are now stored in the locked safe when not in use.
<ul style="list-style-type: none"> • Two employees will be present whenever money is removed from vending machines. Both employees will sign and date the cash reports used to account for those collections. 	<ul style="list-style-type: none"> ✓ Two employees are present when money is removed from vending machines, counted, and transferred for deposit. Both employees now sign and date the applicable cash reports.
<ul style="list-style-type: none"> • Except when fees are paid at the time of application, entities that periodically rent airport facilities will be billed through the City's accounts receivable system. 	<ul style="list-style-type: none"> ✓ Subsequent to March 31, 2002, Airport staff initiated a continuous billing through the City's accounts receivable system for the one applicable entity (the other entity addressed in the audit no longer rents facilities on a regular basis).
<ul style="list-style-type: none"> • Airport staff will check the City's accounts receivable system to ensure that requested amounts are properly billed. 	<ul style="list-style-type: none"> ✓ Reports are obtained from the City's accounts receivable system and used to verify that requested amounts are billed and collected.
<ul style="list-style-type: none"> • The Operations section will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Negotiable instruments are now restrictively endorsed with a stamp obtained from the Revenue Office.
<ul style="list-style-type: none"> • The Airport Finance and Administration section will obtain from the Revenue Office a restrictive endorsement that specifies the City bank account to which negotiable instruments must be deposited. 	<ul style="list-style-type: none"> ✓ Negotiable instruments are now restrictively endorsed with a stamp that specifies the City bank account number to which the funds must be deposited.
<ul style="list-style-type: none"> • Collections received in the Operations section will be transferred to the Airport Finance and Administration section within one week of receipt. 	<ul style="list-style-type: none"> ✓ Collections are now timely transferred.
<ul style="list-style-type: none"> • All external parties billed through the City's accounts receivable system will be instructed to remit their payments directly to the Revenue Office at City Hall. 	<ul style="list-style-type: none"> o Five of the 14 applicable vendors continued to send their payments to the Airport. Additional efforts are to be made by Airport staff to have these vendors submit their payments to the Revenue Office.
<ul style="list-style-type: none"> • Dates of receipt for collections received in the mail will be documented. 	<ul style="list-style-type: none"> ✓ Date stamps are used to document the dates of receipt for mail collections.
<ul style="list-style-type: none"> • Sequentially numbered receipt forms will be accounted for in a manner that will reflect the disposition of all receipt forms available for issuance. 	<ul style="list-style-type: none"> ✓ All books containing sequentially numbered receipt forms are adequately safeguarded and controlled in a manner to allow an accounting for all receipts.
<ul style="list-style-type: none"> • Independent and/or supervisory reconciliations of amounts collected per completed receipt forms to amounts deposited will be periodically conducted. 	<ul style="list-style-type: none"> ✓ The initial supervisory reconciliation as described was completed subsequent to March 31, 2002.
<ul style="list-style-type: none"> • Independent and/or supervisory reconciliations of permits issued to related collections received and deposited will be periodically conducted. 	<ul style="list-style-type: none"> o Adequate records were established to allow for the described reconciliations. However, such reconciliations had yet to be conducted.
<ul style="list-style-type: none"> • Written procedures for the receipt and processing of collections at the Airport will be established. 	<ul style="list-style-type: none"> ✓ Written procedures were established subsequent to March 31, 2002.

<ul style="list-style-type: none"> • Airport staff will ensure that the vendor operating the Jetport Diner establishes written procedures that address billing, collecting, and accounting for redeemed meal vouchers and catering sales. 	<ul style="list-style-type: none"> ✓ Airport staff obtained a copy of the vendor's procedures that address all aspects of receiving, safeguarding, and handling cash. These procedures include provisions for billing and collecting amounts due from other parties.
<p>Real Estate – Parking, Leases, Closings, and Cemetery Sales</p>	
<ul style="list-style-type: none"> • Republic Parking System (RPS) will be instructed to make the City of Tallahassee the sole payee on checks submitted for payment. 	<ul style="list-style-type: none"> ✓ The City is now the sole payee on RPS checks.
<ul style="list-style-type: none"> • Real Estate will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Negotiable instruments are now restrictively endorsed with a stamp obtained from the Revenue Office.
<ul style="list-style-type: none"> • Applicable parties leasing City-owned properties will be instructed to remit their payments directly to the Revenue Office. 	<ul style="list-style-type: none"> ✓ Real Estate instructed applicable entities to submit their payments directly to the Revenue Office.
<ul style="list-style-type: none"> • Any collections received in Real Estate will be transferred directly to the Revenue Office and not submitted through Accounting Services. 	<ul style="list-style-type: none"> ✓ Collections received in Real Estate are now transferred directly to the Revenue Office for deposit.
<ul style="list-style-type: none"> • Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office upon the transfer of collections. 	<ul style="list-style-type: none"> ✓ Real Estate staff obtains documented acknowledgements of the transfer of collections from Revenue Office staff.
<ul style="list-style-type: none"> • Dates of receipt for any collections received in Real Estate will be documented. 	<ul style="list-style-type: none"> ✓ Real Estate staff documents the dates of receipt for all collections.
<ul style="list-style-type: none"> • Written procedures addressing the receipt and processing of collections will be established. 	<ul style="list-style-type: none"> ✓ Written procedures were established by April 15, 2002.
<ul style="list-style-type: none"> • Collections for cemetery sales will be stored in locked desk drawers or file cabinets pending transfer to the Revenue Office. Access to those drawers/cabinets will be restricted. 	<ul style="list-style-type: none"> ✓ Collections are properly secured and safeguarded pending transfer to the Revenue Office.
<ul style="list-style-type: none"> • Collections for cemetery sales will be timely transferred to the Revenue Office. 	<ul style="list-style-type: none"> ✓ Collections are now timely transferred.
<ul style="list-style-type: none"> • An employee independent of the collection and custodial functions will periodically verify that amounts are collected for each cemetery lot and perpetual care sale. 	<ul style="list-style-type: none"> ○ Written procedures requiring these verifications have been established. However, verifications have not been performed to date.
<ul style="list-style-type: none"> • An employee not assigned responsibility for collecting cemetery sales proceeds will maintain an accounting of sequentially numbered burial request forms. That accounting will show the disposition for each form. 	<ul style="list-style-type: none"> ○ Written procedures requiring these accountings have been established. However, accountings have not been performed to date.
<p>Taltran</p>	
<ul style="list-style-type: none"> • Taltran staff will periodically check the City's accounts receivable system to ensure that amounts are properly billed based on billing requests submitted to Accounting Services. 	<ul style="list-style-type: none"> ✓ Taltran staff verifies that amounts requested are properly billed.

Public Works Engineering	
<ul style="list-style-type: none"> • Collections pending transfer to the Revenue Office will be stored in locked desk drawers or file cabinets and access to those places restricted. 	<ul style="list-style-type: none"> ✓ Collections are now secured and safeguarded pending transfer to the Revenue Office.
<ul style="list-style-type: none"> • Engineering will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Negotiable instruments are now restrictively endorsed with a stamp obtained from the Revenue Office.
<ul style="list-style-type: none"> • The disposition of all collections will be properly documented. 	<ul style="list-style-type: none"> ✓ Appropriate records (plan holders lists, pre-qualification logs, and transfer memorandums) are now maintained in a manner that allows the disposition of collections to be tracked.
<ul style="list-style-type: none"> • Management staff will review and approve fee collection activity, including the dispositions of collections. Those reviews will be documented. 	<ul style="list-style-type: none"> o Staff indicated that the described reviews and approvals were being done. However, the reviews/approvals were not consistently documented.
<ul style="list-style-type: none"> • Fees for bid packages will not be held pending bid closing dates or review of application packages. All collections will be timely transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✗ Collections were not always timely transferred to the Revenue Office. Instances were noted where some collections were held for periods ranging from 14 days to 26 days before being transferred.
<ul style="list-style-type: none"> • FDOT will be instructed to send advance-refunding payments directly to the Revenue Office. 	<ul style="list-style-type: none"> ✓ FDOT was instructed verbally and by letter to submit subsequent payments directly to the Revenue Office. Engineering staff indicated that FDOT has complied with those instructions.
<ul style="list-style-type: none"> • Records will be maintained of the bid packages available for issuance and the disposition of each of those packages. 	<ul style="list-style-type: none"> ✓ Bid packages are generated based on requests and needs reflected on the plan holders list. Accordingly, the plan holders list provides an accounting for all bid packages available for issuance.
<ul style="list-style-type: none"> • For those bid packages issued for a fee, an employee independent of the collection and custodial functions will verify that the appropriate fees are collected and transferred for deposit. 	<ul style="list-style-type: none"> o Staff indicated that the described verifications were being done. However, the verifications were not consistently documented.
<ul style="list-style-type: none"> • Management will review the appropriateness of bid packages issued for which no fees are collected. 	<ul style="list-style-type: none"> ✓ Project managers identify on the plan holders list the entities entitled to receive bid packages for no fee.
<ul style="list-style-type: none"> • An employee independent of the collection and custodial functions will verify that the proper fees are collected and transferred for each pre-qualification application that is received, reviewed, and entered into the department's database. 	<ul style="list-style-type: none"> ✓ An employee independent of the collection and custodial functions verifies that appropriate fees are collected and transferred for deposit. Those verifications are documented.
<ul style="list-style-type: none"> • Written procedures will be established for the receipt and processing of collections. 	<ul style="list-style-type: none"> ✓ Written procedures for processing bid package fees and pre-qualification application fees were developed.
Planning	
<ul style="list-style-type: none"> • Planning will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt. 	<ul style="list-style-type: none"> ✓ An endorsement stamp had not been obtained at the time of our initial fieldwork. Planning subsequently obtained a stamp.

<ul style="list-style-type: none"> Any grant payments received in Planning will be transferred directly to the Revenue Office and not submitted to Accounting Services. 	<ul style="list-style-type: none"> All but one grant administrator transferred grant payments directly to the Revenue Office. The one grant administrator continued to transfer grant payments to Accounting Services. That administrator has subsequently been instructed to submit payments directly to the Revenue Office.
<ul style="list-style-type: none"> Documented acknowledgements of custodial responsibility will be obtained for grant payments transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> Documentation evidencing the transfer of grant payments to the Revenue Office is maintained. However, no documented acknowledgements of receipt were obtained from the Revenue Office upon the transfers. Planning indicated that such receipts would now be obtained.
<ul style="list-style-type: none"> Collections will be timely transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> Collections are generally timely transferred to the Revenue Office. However, one instance was noted where a \$100,000 grant payment received on January 7, 2002, was not submitted to the Revenue Office until after our review on May 22, 2002, disclosed that the payment had not been transferred. Subsequent to our notification, Planning immediately transferred the payment to the Revenue Office. This instance was attributed to staff oversight. Interest lost by the City due to this untimely transfer approximated \$730.
<ul style="list-style-type: none"> An employee independent of the fee collection and handling process will maintain a log of all accepted applications. That employee will periodically verify that fees have been collected and transferred for deposit for each application accepted and reviewed by Planning staff. 	<ul style="list-style-type: none"> Planning indicated that this process is currently being developed.
<ul style="list-style-type: none"> An employee not assigned responsibility for collecting fees will maintain records that document the disposition of all receipt forms. 	<ul style="list-style-type: none"> Planning indicated that this process is currently being developed.
<ul style="list-style-type: none"> An employee not assigned responsibility for collecting fees will periodically reconcile fees received per completed receipt forms to amounts transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> Planning indicated that this process is currently being developed. Because of the one instance (described above) where a \$100,000 grant payment was not timely transferred to the Revenue Office for deposit, we recommend that additional procedures be implemented to have an independent reconciliation of anticipated grant payments to actual grant payments received and deposited.
<ul style="list-style-type: none"> External parties requesting copies will be instructed to pay the applicable fees at the Revenue Office. Copied documents will only be provided upon evidence (e.g., Revenue Office paid receipt) that payment has been made. 	<ul style="list-style-type: none"> Individuals, requesting copies of Planning documents, are required to pay the related fees to the Revenue Office and bring a receipt evidencing their payment to Planning before the copies are released.
<ul style="list-style-type: none"> Written procedures addressing the receipt and processing of collections will be established. 	<ul style="list-style-type: none"> Written procedures were developed subsequent to March 31, 2002.

Table Legend:

- Issue addressed in the original audit
- o Corrective action initiated but not completed

- ✓ Issue addressed and resolved
- x Action not taken

Significant Outstanding Issues

As noted in Table 1, many action plan steps were completed. The remaining action plan steps, some of which have been initiated and partially completed, include:

- Documented independent verifications and/or reconciliations of recorded activity (e.g., permits issued, cemetery lots sold, forms completed) to collections received/deposited (Airport Operations, Real Estate, Public Works Engineering, and Planning).
- Establishment of controls over competency cards to ensure that fees are collected for cards issued and those collections are properly deposited (Growth Management).
- Having applicable parties billed through the City's accounts receivable system make their payments directly to the Revenue Office (Airport Operations).
- Timely and direct transfer of collections to the Revenue Office for deposit (Planning and Public Works Engineering).
- Obtaining documented acknowledgements of the acceptance of custodial responsibility when grant payments are transferred to the Revenue Office (Planning).

We appreciate the response and assistance provided by the applicable departments/offices during this audit follow up.

Response from Appointed Official

City Manager:

The majority of the Development and Transportation action plans have either been completed or soon will be. I appreciate the assistance of the City Auditor's staff in identifying ways to improve our controls over cash collections.

Copies of this Audit Follow Up or audit report #0134 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).

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