

Final Audit Follow Up As of March 31, 2004



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“Citywide Disbursements 2002” (Report #0314, Issued April 16, 2003)

Report #0412

May 24, 2004

Summary

City departments have completed all action plan steps developed as the result of our previously issued audit report #0314, Citywide Disbursements 2002, covering the period July 1, 2001, through June 30, 2002. In audit report #0314, issued April 16, 2003, we identified areas in ten City departments where improvements should be made to ensure that disbursements were proper, authorized, and in accordance with established laws, rules, and procedures. The ten applicable City departments had a total of 17 action plan steps due for completion. Those departments have now completed all of those steps.

- 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 where controls could be improved and where City policy was not followed.

Report #0412

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, 2004. 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 #0314

The scope of report #0314 included a review of City disbursements made during the period July 1, 2001, through June 30, 2002 by all City departments except for the Fleet Parts Division.

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;
- supported by appropriate documentation; and

Background

City disbursements during the period July 1, 2001, through June 30, 2002, totaled \$435 million. For audit purposes, those disbursements were classified into three categories: (1) general disbursements, (2) payroll, and (3) energy purchases.

Previous Conditions and Current Status

In report #0314, we identified several areas that needed to be addressed, including, but not limited

to, compliance with established policies and procedures, as well as improvements and enhancements to those procedures. Seventeen action plan steps were developed to address

these areas. The ten applicable departments have completed all 17 steps. Table 1 provides a summary of the action plan steps and their current status.

**Table 1
Action Plan Steps from Report #0314 and Current Status**

Action Plan Steps	Current Status
Equity and Workforce Development	
<ul style="list-style-type: none"> Hold a training session with department employees associated with and responsible for the acquisition of goods and services for a review and update on the City's procurement policies. That training session will include, but not necessarily be limited to, competitive procurement requirements and usage of purchase orders and check requests. 	<ul style="list-style-type: none"> √ A training session to address the procurement policies and related requirements has been held.
<ul style="list-style-type: none"> The department director will periodically review acquisitions of goods and services for compliance with the City's procurement policy. 	<ul style="list-style-type: none"> √ The department director reviews and approves all acquisitions.
Parks and Recreation	
<ul style="list-style-type: none"> Reinforce to department employees responsible for the acquisition of goods and services the need to follow City procedures and guidelines in regard to the usage of the purchase order and check request process. 	<ul style="list-style-type: none"> √ A memorandum was circulated to all department employees responsible for the acquisition of goods and services that communicated the proper usage of check requests.
Electric Operations	
<ul style="list-style-type: none"> Communicate to all employees associated with and responsible for the acquisition of goods and services that invoices and other supporting documentation for purchases must be submitted in a timely manner, and when there are delays an explanation should be included in the supporting documentation. 	<ul style="list-style-type: none"> √ The requirement to timely process procurement documentation was communicated to employees associated with the acquisition of goods and services.
Accounts Payable	
<ul style="list-style-type: none"> Communicate to department managers each instance the check request process is used to initiate a vendor payment when another process (i.e., purchase requisition/order or City procurement card) is appropriate pursuant to guidelines issued by Procurement Services. 	<ul style="list-style-type: none"> √ Memorandums have been developed to communicate instances of improper check request usage to applicable departmental managers.
<ul style="list-style-type: none"> Generate a monthly report of instances where check requests were used for the initiation of payments to vendors but should not have been. Submit those reports to the Director of Management and Administration, Assistant City Managers (ACMs), and department managers as applicable. 	<ul style="list-style-type: none"> √ Accounts Payable developed a process and query to identify check requests that potentially should have been paid through the PeopleSoft Financials purchase requisition/order process. Accounts Payable uses the information for internal monitoring purposes. While department managers and the Director of Management and Administration are often notified of improper check request usage (see preceding action step), reports are not sent to the ACMs. Accounts Payable staff indicates that improper usage of

	<p>check requests has decreased significantly since the PeopleSoft Financials system was first implemented in October 2002. To the extent that significant instances of improper usage are identified in the future, we recommend that Accounts Payable notify the ACMS. We will continue to follow up on this issue in our annual citywide disbursement audits.</p>
<ul style="list-style-type: none"> Notify all City departments and offices that payment requests not received in a timely manner must have a notation attached explaining the delay. Notify applicable department managers whenever explanations are not provided or not adequate to justify the delay. 	<p>√ Accounts Payable indicated that appropriate staff was notified of the necessity to explain delays in processing payment documentation. A standard memorandum was developed to notify department managers when there appear to be delays. We will continue to follow up on this issue in our annual citywide disbursements audits.</p>
<p>Office of the City Treasurer-Clerk</p>	
<ul style="list-style-type: none"> Develop a City policy to provide that checks will not be returned to the requesting employee or department. Any exceptions to that requirement should be outlined in the policy. 	<p>√ A policy was developed and implemented to address the release of checks for payment to third parties. That policy precludes release of checks to the requesting employee or department except in special circumstances as described by the policy.</p>
<p>Neighborhood and Community Services</p>	
<ul style="list-style-type: none"> Communicate to all employees required to complete positive payment timesheets that timesheets should be signed by the employee and approved of record by his/her supervisor. 	<p>√ Communication was made and appropriate supporting documentation was distributed to employees during staff meetings.</p>
<p>Utility Business and Customer Services</p>	
<ul style="list-style-type: none"> Communicate to all employees reporting on an exception basis that timesheets should be signed by the employee and approved of record by his/her supervisor. 	<p>√ An e-mail was distributed to department managers and timekeepers communicating the need to properly prepare and retain timesheets. A standard timesheet was developed.</p>
<p>Human Resources</p>	
<ul style="list-style-type: none"> Amend current City policy to require documented employee assertions and supervisory approval for time worked and leave taken as appropriate. 	<p>√ City policy was amended to require the assertions and approvals.</p>
<p>Taltran</p>	
<ul style="list-style-type: none"> Ensure that internal controls are established as part of the new timekeeping system. 	<p>√ Written procedures established for the new timekeeping system demonstrate that internal controls were incorporated.</p>
<ul style="list-style-type: none"> Document the department's timekeeping/payroll process and procedures for employees and timekeepers. 	<p>√ The payroll procedures for Taltran have been documented.</p>
<ul style="list-style-type: none"> Hold meetings with employees, supervisors, and timekeepers to communicate City Policy 706.03 in regard to required meal breaks during work shifts. 	<p>√ Taltran indicated that a staff meeting was held where City Policy 706.03 was reviewed and the department's payroll procedures were distributed.</p>

Department of Management and Administration	
<ul style="list-style-type: none"> Review the current fixed asset records for the computer network and telephone systems to identify any assets that are no longer in service, and complete work necessary to have those items removed from the City's fixed asset records. 	<ul style="list-style-type: none"> √ Asset disposition transactions, as recorded in the PeopleSoft Financials system, support Accounting Services assertion that asset records have been reviewed and items no longer in service deleted.
<ul style="list-style-type: none"> Develop a plan to ensure accurate and efficient accountability and control over Information Technology (IT) assets. That plan will address: <ul style="list-style-type: none"> The recording of IT assets within the fixed asset records in a manner that will preclude the "double capitalization" of assets. Specifically, measures will be taken to preclude the capitalization of repair/maintenance costs incurred for existing systems. For those IT assets comprising a system and capitalized in bulk (i.e., as a single system), develop a mechanism to physically control and account for the individual components and spare replacement parts of a high-risk nature. 	<ul style="list-style-type: none"> √ A plan (documented as procedures) has been developed to address the capitalization of IT assets. Those procedures address the capitalization and expensing of replacement components, the capitalization of systems as a whole rather than as individual components, and the process for accounting for individual system components and parts of a high-risk nature.
<ul style="list-style-type: none"> Implement the plan developed to ensure accurate and efficient accountability and control over IT assets. 	<ul style="list-style-type: none"> √ ISS and Accounting Services are now following the procedures developed to address the proper capitalization of IT assets.

Table Legend: • Issue addressed in the original audit.

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

Conclusion

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

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

Response from Appointed Officials

City Manager Response:

I appreciate the City Auditor's efforts in this area. The recommendations have been incorporated in action steps that will improve our processes.

I want to thank my staff for completing all the action steps associated with this audit.

City Treasurer-Clerk Response:

We have implemented the Disbursement 2002 Audit recommendation related to the Treasurer/Clerk's Office and believe that the recommendation will strengthen the internal controls related to the disbursement process. We appreciate the assistance and recommendations made by the City Auditor's Office.

Copies of this Final Audit Follow Up or audit report #0314 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).

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