

Final Audit Follow Up

As of September 30, 2005



“Disbursement Audit 2004”

(Report #0522, Issued April 1, 2005)

Report #0605

January 25, 2006

Summary

City departments have completed all action plan steps developed as the result of our previously issued audit report #0522, Citywide Disbursements 2004, covering the period July 1, 2003, through June 30, 2004. In audit report #0522, issued April 1, 2005, we identified areas in ten City departments where improvements should be made to ensure that disbursements are proper, authorized, and in accordance with established laws, rules, and procedures. The ten applicable City departments had a total of 15 action plan steps due for completion. We are pleased to report that those departments have timely completed all action plan steps.

Scope, Objectives, and Methodology

The original audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate. This follow up audit was for the period April 1, 2005, through September 30, 2005.

Report #0522

The scope of report #0522 included a review of City disbursements made during the period July 1, 2003, through June 30, 2004, by all City departments.

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
- 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 greater efficiencies achieved. In addition, a few instances of non-compliance with City policies were noted.

Report #0605

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 September 30, 2005. This is our first and final follow up on action plan steps identified in audit report #0522. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Background

During the period July 1, 2003, through June 30, 2004, the City disbursed funds totaling approximately \$517 million. Those disbursements were classified into four areas as shown in the following table:

Disbursement Summary		
Category	Transactions	Amount
General	23,316	\$ 200,659,371
Salary	89,239	\$ 136,013,094
Retirement	11,260	\$ 22,569,408
Energy	299	\$ 157,424,530
Totals	124,114	\$ 516,666,403

Note: Excluded from general disbursements is \$41,705,457 which represents disbursements of employee salary and retirement deductions to applicable entities (e.g., IRS and insurance providers). This amount was excluded to preclude counting that amount twice as it is also included in the payroll and retirement amounts above.

Previous Conditions and Current Status

In report #0522, we identified the following areas where improvements could be made, including but not limited to: compliance with established policies and procedures, improvements and enhancements to

those procedures, and refining the payment process to increase efficiency.

As of September 30, 2005, 100% of the action plan steps identified in this audit were completed. Table 1 identifies the action plan steps and describes the current status.

Table 1 Action Plan Steps from Report #0522 and Current Status	
Action Plan Steps	Current Status
<i>Procurement Services</i>	
<ul style="list-style-type: none"> A "high volume" vendor pay group will be identified based on the number and frequency of checks generated by vendor. Once the group is identified, invoices for those vendors will be accumulated and paid weekly. 	<ul style="list-style-type: none"> √ A "high volume" vendor pay group was identified and established for the purpose of accumulating multiple invoices received from an individual vendor over a relatively short period (e.g., a week), and paying those accumulated invoices with a single check.
<ul style="list-style-type: none"> On a periodic basis, the volume and frequency of checks generated by vendor will be evaluated to determine if the vendors need to be added or removed from the "high volume" pay group. 	<ul style="list-style-type: none"> √ A query has been developed to show the number of checks generated by each vendor during a specified period. That query is periodically run by Procurement Services to facilitate the review and update of the "high volume" pay group.
<ul style="list-style-type: none"> The Payment Request Form – Preparation Instructions will be amended to include expenditures for contractor services under the Emergency Home Repair Program. 	<ul style="list-style-type: none"> √ Expenditures under the Emergency Home Repair Program were added to the listing of authorized uses of a check request, which is used to facilitate the payment process for certain disbursement types.
<i>Neighborhood and Community Services</i>	
<ul style="list-style-type: none"> NCS senior management will emphasize to managers that new staff need to be quickly trained in assigned duties that have direct financial impact on the City (e.g., timely payment of invoices). 	<ul style="list-style-type: none"> √ NCS responded that every effort is made to train employees in their job duties in a timely manner. NCS indicated that the incident of late payment in the initial audit report was an isolated incident. Management indicated that training new employees has been emphasized.
<i>Electric Utility</i>	
<ul style="list-style-type: none"> Staff will be reminded of the importance of verifying that the City is billed only for current employees who were issued uniforms. 	<ul style="list-style-type: none"> √ Staff has been instructed to perform a review of each invoice to confirm that the invoice reflects the correct number of employees eligible for the uniform service. Management also indicated that it followed up to confirm these reviews are occurring.
<i>Fleet</i>	
<ul style="list-style-type: none"> In conjunction with Accounting Services, a method and process will be developed and implemented for communicating to Accounting Services costs incurred for preparing newly acquired vehicles for City use. 	<ul style="list-style-type: none"> √ Accounting Services and the Fleet Division worked together to develop a process for communicating vehicle preparation costs. The Fleet Division now generates a report from the FASTER System that reflects both acquisition and preparation costs. That report is sent to Accounting Services and used to ensure proper capitalization of new vehicles in the City's fixed asset records.

Accounting Services	
<ul style="list-style-type: none"> In conjunction with the Fleet Division, a method and process will be developed and implemented for the Fleet Division to communicate costs incurred for preparing newly acquired vehicles for City use. 	<ul style="list-style-type: none"> As noted in the preceding action plan step, Accounting Services and the Fleet Division worked together to develop a process for communicating vehicle preparation costs. The Fleet Division now generates a report from the FASTER System that reflects both acquisition and preparation costs. That report is sent to Accounting Services and used to ensure proper capitalization of new vehicles in the City's fixed asset records.
<ul style="list-style-type: none"> Costs reported by the Fleet Division pursuant to the previous step will be properly capitalized in the City's fixed asset records as part of the applicable vehicles' costs. 	<ul style="list-style-type: none"> Accounting Services revised Administrative Procedure (APM) 662 to clarify what acquisition and preparation costs should be capitalized when a vehicle is acquired (or improved). That policy and the information provided on the reports submitted by the Fleet Division (see previous action plan step) are used by Accounting Services to ensure that vehicle costs are properly capitalized.
<ul style="list-style-type: none"> Emphasize to City departments and offices the requirements that capital outlay costs be properly coded in the financial system to enable proper capitalization of the applicable costs/assets in the City's fixed asset records. 	<ul style="list-style-type: none"> APM 662, City of Tallahassee Policy on Property Control, was updated and submitted to all City property (asset) custodians. The updated policy includes specific directives as to what should be capitalized.
Energy Services	
<ul style="list-style-type: none"> Emphasize to employees involved in the gas conversion rebate program the rules, requirements, and limitations of the program. 	<ul style="list-style-type: none"> Energy Services management held a meeting to discuss the gas conversion rebate program with staff involved in that program. That meeting addressed the issue identified in the audit as well as the rules governing the program and proper method for processing rebate payment requests.
Water Utility	
<ul style="list-style-type: none"> Emphasize to applicable staff the process for and importance of properly coding capital outlay expenditures in the financial system (i.e., to enable identification of costs that should be capitalized in the City's fixed asset records). 	<ul style="list-style-type: none"> Applicable Water Utility staff was directed to properly code expenditures (including capital outlay) in the City's financial system. To assist that staff in properly coding capital outlay expenditures, a listing of the budgeted capital outlay items was distributed.
<ul style="list-style-type: none"> Emphasize to applicable employees the requirement that employees sign and date their timesheets. 	<ul style="list-style-type: none"> An e-mail was sent to Water Utility staff reminding them of the requirement that timesheets be signed and dated by both the applicable employee and his/her manager.
Gas Utility	
<ul style="list-style-type: none"> Emphasize to applicable employees the requirement that employees sign and date their timesheets. 	<ul style="list-style-type: none"> Gas Utility management reminded all Gas Utility staff of the requirement that timesheets be signed and dated by the applicable employees.
Public Works	
<ul style="list-style-type: none"> Emphasize to applicable employees the requirement that employees sign and date their timesheets. 	<ul style="list-style-type: none"> Public Works management reminded all department staff of the requirement that timesheets be signed and dated by the applicable employees.

Office of the Treasurer-Clerk

- Management of the Retirement Division will enhance their review of proposed City ordinances to ensure they are worded to provide the desired interpretation and intent. As needed, assistance will be sought from the City Attorney's Office in this endeavor.

√ The Retirement Division has reviewed and proposed amendments to City ordinances in order to ensure that the intent of the ordinances is clearly stated.

Table Legend:

● Issue addressed in the original audit

√ Issue addressed and resolved

Conclusion

As noted in Table 1, all issues have been addressed and resolved.

We appreciate the cooperation and assistance the applicable City departments and offices provided in this audit follow up.

Appointed Officials Response

City Manager:

I am pleased to see that staff has completed all the action steps related to the Disbursements 2004 audit. This was done in a timely manner and should improve our processes.

Again, I would like to thank the City Auditor and his staff for the cooperative approach taken in the internal audit process.

City Treasurer-Clerk:

As recommended in the Disbursements 2004 audit, the Treasurer/Clerk's Retirement Division has reviewed and proposed amendments that will clarify the intent of the City's Retirement Ordinances. We agreed with the recommendation and believe that the amendments will enhance the Retirement administration function.

Copies of this Audit Follow Up or audit report #0522 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), 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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