

Audit

Follow Up

As of March 31, 2001



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City Auditor

“Citywide Disbursements” (Report #0117, Issued February 21, 2001)

Report #0127

June 7, 2001

Summary

The applicable City departments have implemented the action plan steps due to date, as identified in our previously issued audit report #0117, Citywide Disbursements. In audit report #0117, issued February 21, 2001, we identified areas in four 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 and City employees by external parties, to reimburse applicable former and current employees for their share of the recovered funds, and to account for and safeguard fixed assets. Three of the four applicable City departments had a total of 15 action plan steps due for completion as of March 31, 2001. As of that date, those three departments had implemented all 15 steps.

Scope, Objectives, and Methodology

Report #0117

The scope of report #0117 included a review of City disbursements made during the period July 1, 1999, through June 30, 2000.

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 of inappropriate payments and opportunities to improve and enhance the disbursement process.

Report #0127

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, 2001. 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

City disbursements during the period July 1, 1999, through June 30, 2000, totaled \$456 million. For audit purposes, those disbursements were classified into four categories: (1) payroll, (2) general disbursements, (3) retirement benefits, and (4) purchase card disbursements.

Previous Conditions and Current Status

In report #0117, we identified several areas that needed to be addressed, including improvements and enhancements to existing procedures, recovery of funds from certain external entities, reimbursement to applicable current and former City employees for their share of recovered funds, and accounting for and safeguarding (tagging) fixed assets. The three applicable departments completed all fifteen (100 %) of the action plan steps due as of March 31, 2001. Table 1 provides a summary of the conditions and tasks due as of that date.

**Table 1
Conditions Identified in Report #0117 and Current Status**

| Previous Conditions | Current Status |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Human Resources | |
| <ul style="list-style-type: none"> Identify employees (current and former), retirees, and surviving spouses for whom amounts were improperly deducted for term life insurance premiums remitted to Metlife. | <ul style="list-style-type: none"> ✓ Current and former employees, retirees, and surviving spouses that were owed moneys for the improper deductions were identified. |
| <ul style="list-style-type: none"> Determine the amounts improperly withheld from each applicable employee (former and current), retiree, and surviving spouse. | <ul style="list-style-type: none"> ✓ The amounts improperly withheld from each applicable individual were determined. In addition, steps have been taken to reimburse the applicable individuals. |
| <ul style="list-style-type: none"> Consult with the City Attorney as to what action should be taken to recover amounts improperly withheld and paid to Metlife. | <ul style="list-style-type: none"> ✓ This action was determined to not be necessary as the City and Metlife agreed that the funds would be recovered by the City through credits against current premiums due Metlife. |
| <ul style="list-style-type: none"> Hold training sessions with applicable Human Resources staff that provide an understanding of terms and conditions of agreements with existing benefit providers that relate to employee payroll deductions. | <ul style="list-style-type: none"> ✓ Training sessions were held that addressed existing benefit provider agreements as they relate to employee payroll deductions. |
| <ul style="list-style-type: none"> Obtain appropriate employee authorizations for those employees where payroll deduction authorizations were not on record. | <ul style="list-style-type: none"> ✓ Human Resources staff has obtained and/or requested the authorizations from the applicable employees or providers. |
| <ul style="list-style-type: none"> Hold training sessions with applicable staff that address the requirements to maintain on record authorizations for employee payroll deductions. | <ul style="list-style-type: none"> ✓ Training sessions were held that addressed requirements to maintain on record authorizations for employee payroll deductions. |
| Fire Department | |
| <ul style="list-style-type: none"> Take necessary steps to record the purchased lawn mowers in the City's property records. | <ul style="list-style-type: none"> ✓ The lawn mowers were recorded in the City's property records based on actions taken by the Fire Department. |
| <ul style="list-style-type: none"> Take the necessary steps to attach fixed asset tags to the lawn mowers. | <ul style="list-style-type: none"> ✓ Fixed asset tags identifying the lawn mowers as City property were attached to the lawn mowers. |
| <ul style="list-style-type: none"> Hold training sessions with applicable staff that address the importance of taking timely actions to have fixed assets recorded in the City's property records and to attach fixed asset tags to applicable items. | <ul style="list-style-type: none"> ✓ Training sessions were held that placed importance on the notification of the Fire Department's property custodian whenever fixed assets were purchased, so that timely actions can be taken to have fixed assets recorded in the City's property records and fixed asset tags attached to applicable items. Copies of the City's property control procedures were distributed at the training session. |
| <ul style="list-style-type: none"> Review and revise current internal procedures as necessary to ensure that invoiced prices agree with prices quoted by vendors. | <ul style="list-style-type: none"> ✓ The Fire Department determined that existing procedures were adequate. However, as noted below, meetings were held to stress the importance of ensuring that invoiced amounts were proper. |
| <ul style="list-style-type: none"> Hold training sessions with applicable staff that address and emphasize the importance of ensuring that invoiced prices are in accordance with quoted prices. | <ul style="list-style-type: none"> ✓ Training sessions were held that emphasized compliance with City purchasing procedures and review of invoices to ensure amounts billed are in accordance with quoted prices. |

| Retirement Division | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Revise procedures to maintain MAP (Matched Annuity Pension Plan) contribution change forms for periods specified by requirements of the Department of State, Bureau of Archives and Records Management. | <ul style="list-style-type: none"> ✓ A procedure was established that provided for the retention of MAP contribution change forms for periods specified by applicable State requirements. |
| <ul style="list-style-type: none"> • Hold training sessions with applicable staff that address the requirements and revised procedures regarding the retention of the contribution change forms. | <ul style="list-style-type: none"> ✓ Training sessions were held that addressed the revised procedures. |
| <ul style="list-style-type: none"> • Establish procedures to perform and document analyses of annual salary histories for retiring employees. | <ul style="list-style-type: none"> ✓ A procedure was established that provided for analyses of available annual salary histories for the purpose of determining appropriate salary amounts to use in calculations of retiring employees' retirement benefits. |
| <ul style="list-style-type: none"> • Train applicable staff how to perform and document analyses of annual salary histories. | <ul style="list-style-type: none"> ✓ Meetings were held with applicable staff to discuss the procedure established to perform and document analyses of annual salary histories when calculating retirement benefits. |

Table Legend:

- Issue addressed in the original audit

- ✓ Issue addressed and resolved
- x Action taken but issue not completely resolved

Significant Outstanding Issues

As noted above, the applicable departments have taken appropriate steps to complete the action plan steps due for completion by March 31, 2001. Actions have also been initiated to complete some of the action plan steps that were due for completion subsequent to that date (e.g., reimbursing applicable individuals for amounts improperly deducted for term life insurance premiums remitted to Metlife, and initiating recovery of the improperly paid amounts from Metlife). Other steps, such as those involving contract administration practices (Procurement Services), will be addressed in our subsequent follow up reports.

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

Appointed Official Response

City Manager Response:

I am very pleased with the outcome of the Citywide disbursements audit. I appreciate Auditing staff working with Fire, Human Resources, DMA and

Retirement to identify opportunities for improving specific procedures in the disbursement process. DMA's Procurement Division has already completed several of its action steps, due in the next audit cycle, and they will continue to focus on improving procedures related to the contracts process. With regards to the Human Resources Department, the Auditing staff's review has resulted in an improved benefits enrollment process and the identification of an error that, if prolonged, could have become very difficult to remedy. With regards to the Fire Department, all the action plans assigned to them have been completed. As usual, the Auditing staff's approach was very professional and courteous and their input was valuable.

Interim City Treasurer-Clerk Response:

I wish to thank you and the Internal Audit staff for taking the time to meet with staff of the City Treasurer-Clerk's Office to review the Preliminary Draft of the Follow-Up Report on the Audit of Citywide Disbursements. The Office of the City Treasurer-Clerk is in agreement with the findings detailed in this report, and we have completed all tasks designated to be finished by March 31, 2001.

Copies of this Audit Follow Up or audit report #0117 may be obtained 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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