

# Audit Follow-Up

As of September 30, 2014



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City Auditor

## Citywide Disbursements 2013

(Report #1420, Issued July 7, 2014)

Report #1504

February 26, 2015

### Summary

*Twelve of the 14 action plan steps established to address issues identified in audit report #1420 and due for completion as of September 30, 2014, have been completed. Actions have been initiated but not completed for the two remaining steps. The completion dates for those two steps have been amended to a future date.*

In audit report Citywide Disbursements 2013 (report #1420), issued July 7, 2014, we concluded that disbursements during the period October 1, 2011, through March 31, 2013, were (1) for authorized and necessary purposes; (2) made in accordance with established laws, rules, policies, and procedures; (3) supported by appropriate documentation; and (4) properly recorded in the City's financial records. We also identified several issues that were indicative of the need for enhancement of existing procedures and controls. A total of 18 action plan steps were developed by applicable City departments to address the identified issues. Fourteen of those action plan steps were due for completion as of the follow-up period ended September 30, 2014. The applicable issues and status of the related action plan steps are as follows:

- Issue. In one instance state sales taxes of \$346 was inappropriately paid on a purchase of services. (*Environmental Policy and Energy Resources Department, or EPER*)
  - Action Plan Step. EPER successfully recovered the \$346 in sales taxes inappropriately paid to a vendor. Additionally, EPER staff was reminded to ensure state sale taxes are excluded from

amounts paid to vendors for the purchase of goods or services. (**Complete**)

- Issue. In one instance the most appropriate competitive procurement method was not used in the acquisition of accessories. (*Electric Utility*)
  - Action Plan Step. Electric Utility management reminded applicable staff of the City's competitive procurement requirements. Our follow-up review showed those requirements are being applied. (**Complete**)
- Issue. Adequate documentation was not always prepared and retained in those instances where competitive procurement practices were not used because the goods or services were indicated by City staff as only available from one vendor. (*EPER, Electric Utility, and Underground Utilities*)
  - Action Plan Step. There were no purchases identified that occurred during the follow-up period which should have required sole source documentation. EPER management has instructed applicable staff to apply the appropriate competitive procurement methods for purchases exceeding established thresholds for competitive procurement (i.e., where there is more than one vendor capable of providing the goods or services). (**Complete**)
  - Action Plan Step. Electric Utility management reminded applicable staff of documentation requirements relating to the acquisition of goods and/or services

when the goods and/or services are available from only one vendor. Additionally, our follow-up review showed the Electric Utility is preparing sole source justification forms and ensuring the forms are approved by an appropriate authority as provided for in the City's procurement manual. **(Complete)**

- Action Plan Step. Underground Utilities has initiated efforts to ensure sole source justification forms are approved by an appropriate authority; however those efforts have not been completed. **(Addressed But Not Completed)**
- Issue. Contrary to the City's purchasing manual and good business practices, formal contracts were not executed for two significant purchases. *(EPER and Procurement Services)*
  - Action Plan Step. EPER instructed applicable staff to ensure formal contracts are executed for purchases of goods and services in amounts equal to or exceeding the \$50,000 threshold established by the City's procurement manual. **(Complete)**
  - Action Plan Step. Procurement Services created a "contracts log" within the City's intranet (OurCity@Work). The log is used to track expiration dates of citywide contracts and help ensure the timely extension of existing contracts or the execution of new contracts as appropriate. **(Complete)**
- Issue. Adequate documentation was not always retained to substantiate purchased quantities of fuel were received. *(Fleet Division)*
  - Action Plan Step. The Fleet Division now retains record of tickets generated from the Veeder Root System to support quantities of fuel received. **(Complete)**
- Issue. Task orders for engineering services executed under continuing services contracts should establish commencement and completion dates in accordance with

applicable contractual provisions. *(Public Works)*

- Action Plan Step. Public Works began stipulating start and completion dates as part of task orders executed for engineering design services in accordance with applicable contractual provisions. **(Complete)**
- Issue. Disbursement transactions were not always classified and coded to the most appropriate account in the City's accounting records. *(EPER, Underground Utilities, and Department of PLACE)*
  - Action Plan Step. EPER is coding disbursements to the most appropriate expense account within the PeopleSoft Financial System. **(Complete)**
  - Action Plan Step. Underground Utilities is coding disbursements to the most appropriate expense account within the PeopleSoft Financial System. **(Complete)**
  - Action Plan Step. The Department of PLACE is coding disbursements to the most appropriate expense account within the PeopleSoft Financial System. **(Complete)**
- Issue. A Tallahassee Police Department (TPD) officer was underpaid \$1,430 in supplements. *(TPD)*
  - Action Plan Step. TPD management reminded staff of the importance of ensuring pay supplements are determined and paid in accordance with City guidelines and governing Florida Statutes. Pay supplements for the applicable officer addressed in the initial audit were corrected. Accordingly, this step is complete. **(Complete)**
- Issue. Contrary to the Retirement Division's established procedures and good business practices, the Retirement Division did not obtain certain documentation needed to validate all aspects of one retiree's eligibility and benefit payment. *(Treasurer-Clerk's Retirement Division)*

- Action Plan Step. Retirement Division staff were reminded to always obtain required documentation to substantiate retirement eligibility and benefits. To date, the Retirement Division has not been successful in obtaining the birth and marriage certificates for the retiree addressed in the initial audit. **(Addressed But Not Completed)**

Table 2 within this report provides additional details of actions taken to complete the 14 action plan steps identified above.

We appreciate the cooperation and assistance provided by applicable City departments during this follow-up audit.

### ***Scope, Objectives, and Methodology***

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

### ***Original Report #1420***

The scope of report #1420 included a review of City disbursements made during the period October 1, 2011, through March 31, 2013.

The objectives of the audit were to determine whether the disbursements of City funds were:

- Disbursed for only authorized and necessary purposes;
- Made in accordance with governing laws, rules, policies, and procedures;
- Supported by appropriate documentation; and
- Properly recorded within the City's financial records.

To address the stated objectives, we selected samples of disbursements by category and reviewed the related supporting documentation, completed analytical procedures, interviewed applicable staff, and made observations as necessary.

The audit report disclosed that, generally, disbursements were proper, authorized, supported, correctly recorded, and made in accordance with established laws, rules, and procedures. However, we did note instances where controls were not in place or operating effectively to ensure proper disbursements of City funds in accordance with City policies and procedures.

### ***Report #1504***

This is our first follow-up on action plan steps identified in audit report #1420. The purpose of this audit follow-up is to report on the progress and status of the efforts by the applicable departments to complete or resolve action plan steps due for completion as of September 30, 2014. To determine the status of those action plan steps, we interviewed applicable staff and obtained and reviewed relevant records and reports.

### ***Background***

During the period October 1, 2011, through March 31, 2013, the City disbursed funds totaling approximately \$1 billion. We classified the disbursements into three areas as shown in the following table.

**Table 1  
Disbursement Summary**

Category	Transactions	Amount
General	156,651	\$611,356,428
Salary	165,906	\$338,159,128
Retirement	30,041	\$93,872,062
<b>Totals</b>	<b>352,598</b>	<b>\$1,043,387,618</b>
Note: Excluded from general disbursements is \$133,218,516, which represents disbursements of salary and retirement payroll withholdings/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 #1420, we identified the need for several improvements within ten City departments. Management of those departments developed 18 action plan steps to address the identified issues and recommendations. Fourteen of those action plan steps were due for completion as of September 30, 2014. **Table 2** below identifies the 14 action plan steps and their current status.

**Table 2  
Action Plan Steps from Audit Report #1420  
Due as of September 30, 2014, and Current Status**

Action Plan Steps Due	Current Status
<b>Ensure disbursements are proper, authorized, supported, recorded, and made in accordance with governing laws, rules, policies, and procedures</b>	
<i>EPER</i>	
<ul style="list-style-type: none"> <li>EPER will make appropriate efforts to recover from the applicable vendor the inappropriate payment of state taxes in the amount of \$346. In addition, EPER staff will be reminded that the City is exempt from payment of state sales taxes and to ensure charges for state sales taxes are properly excluded from future amounts approved for payments.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Complete</u> - During this follow-up period, EPER successfully recovered the \$346 in state sales taxes inappropriately paid in association with the purchase of design and maintenance services. We also noted EPER management reminded applicable staff that state sales taxes should not be paid to vendors in association with the purchase of goods and/or services. Based on the actions taken by EPER to address this action plan step we consider this step complete.</li> </ul>
<ul style="list-style-type: none"> <li>Competitive procurement methods will be properly applied for applicable purchases exceeding established thresholds (i.e. where there is more than one vendor capable of providing the goods and/or services).</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Complete</u> - During this follow-up period, no purchases were made by EPER where records or staff indicated only one vendor was capable of providing the needed goods or services. Additionally, EPER management instructed applicable staff to apply appropriate competitive procurement methods for purchases equal to or exceeding established thresholds for competitive procurement. Accordingly, we consider this step complete.</li> </ul>

<ul style="list-style-type: none"> <li>Formal contracts will be executed for each future purchase of goods or services equal to or greater than \$50,000 in accordance with the City’s purchasing manual.</li> </ul>	<p>✓ <u>Complete</u> - During this follow-up period, there were no purchases made by EPER that were equal to or greater than the \$50,000 threshold that would require the execution of a formal contract. As part of the instructions provided to staff relating to competitive procurement (as noted in the previous action plan step) staff was reminded that purchases equal to or exceeding \$50,000 require formal written contracts; as such, we consider this step complete.</p>
<ul style="list-style-type: none"> <li>Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System.</li> </ul>	<p>✓ <u>Complete</u> - During this follow-up period, we examined selected purchases for proper expense coding and noted EPER properly classified and coded those payments to the most appropriate expense accounts within the City’s PeopleSoft Financial System. Accordingly, we consider this step complete.</p>
<p><b><i>Electric Utility</i></b></p>	
<ul style="list-style-type: none"> <li>Staff will be reminded to apply the most appropriate competitive procurement method for all future acquisitions of power plant accessories.</li> </ul>	<p>✓ <u>Complete</u> - Electric Utility management reminded applicable staff of the competitive procurement requirements in the City Commission’s Procurement Policy. Specifically, staff was reminded that items procured between \$1,000 and \$25,000 require three quotes to satisfy competitive procurement requirements. Additionally, our review of selected purchases showed competitive procurement policy was followed. Based on the reminder to staff and our review of those purchases we consider this step complete.</p>
<ul style="list-style-type: none"> <li>Staff will be reminded to prepare, and have approved by the appropriate authority, sole source justification forms for each purchase where the amounts are above the thresholds requiring competitive procurement procedures but the needed goods or services are available only from one vendor (as defined in the City’s procurement manual).</li> </ul>	<p>✓ <u>Complete</u> – As part of the staff communication addressed in the immediately preceding action plan step, staff were also reminded of documentation requirements relating to the acquisition of goods and/or services when those goods and/or services are available from only one vendor. Examination of selected purchases showed the Electric Utility is preparing and obtaining appropriate approval for sole source justification forms in accordance with the City’s procurement manual. Accordingly, this step is considered complete.</p>

<i><b>Underground Utilities</b></i>	
<ul style="list-style-type: none"> <li>• Sole source justification forms will be approved by the appropriate authority as required by City policy.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <u>In Progress</u> - Underground Utilities management reminded applicable staff that sole source justification forms must be approved by an appropriate level of management. As part of this follow-up we examined two sole source purchases and noted the forms had not been approved in a timely manner. After discussions with Underground Utilities management about those concerns the completion date for this action plan step was amended.</li> </ul>
<ul style="list-style-type: none"> <li>• Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Complete</u> - As part of the communication to staff addressed in the immediately preceding action plan step, Underground Utilities management reminded applicable staff of the importance of proper coding and classification of disbursements. During this follow-up, our examination showed Underground Utilities properly classified and coded payments to the most appropriate expense accounts within the City’s PeopleSoft Financial System. As such, we consider this step complete.</li> </ul>
<i><b>Procurement Services</b></i>	
<ul style="list-style-type: none"> <li>• Appropriate planning will be conducted to ensure contractual agreements for citywide services are timely executed such that needed services are not acquired outside appropriate contracts and without application of appropriate competitive procurement procedures.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Complete</u> - Procurement Services created a log within the City’s intranet (OurCity@Work) to help track and monitor when term contracts will expire. Procurement agents and supervisory staff use the log to monitor the expiration of citywide contracts on a monthly basis. This log will be used to help ensure contracts identified as expiring in the near-term are either renewed (if applicable) or appropriate competitive practices applied and a new contract executed prior to the expiration of the existing contract. Accordingly, we considered this step complete.</li> </ul>
<i><b>Public Works</b></i>	
<ul style="list-style-type: none"> <li>• As applicable, commencement and completion dates will be established in future task orders for engineering design services.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <u>Complete</u> - Public Works began showing commencement and completion dates on project assignments and/or task orders as part of the associated purchase orders. Based on the actions taken by Public Works this action plan step is complete.</li> </ul>

<b>Department of PLACE</b>	
<ul style="list-style-type: none"> <li>Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Complete</b> - Department of PLACE reminded applicable staff of the importance of properly coding expenditures in the City’s financial records. After reviewing judgmentally selected purchases, we concluded the Department of PLACE is classifying and coding payments to the most appropriate expense accounts in the City’s PeopleSoft Financial System. As such, this step is complete.</li> </ul>
<b>Tallahassee Police Department</b>	
<ul style="list-style-type: none"> <li>Applicable staff will be reminded to ensure supplements paid to TPD officers are properly and accurately determined based on provided documentation.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Complete</b> – TPD management reminded applicable staff of the importance of ensuring officer pay supplements are paid in accordance with City guidelines and Florida Statutes. Additionally, we reviewed the instance identified in our audit where one officer was underpaid for educational supplements and noted the monthly supplement amount has been corrected. Accordingly, this step is considered complete.</li> </ul>
<b>Retirement Division</b>	
<ul style="list-style-type: none"> <li>The birth and marriage certificate for the retiree in question will be obtained and used to validate the retirement calculations and benefits. Staff will be reminded to always obtain copies of birth and marriage certificates whenever applicable to determinations of and eligibility for retirement benefits.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>In Progress</b> - Applicable Retirement Division staff was reminded to ensure marriage and birth certificates are obtained and used to determine retirement eligibility and benefits. To date, the Retirement Division has obtained the applicable marriage certificate and is continuing efforts to obtain the birth certificates for the retiree (and spouse) as identified in the initial audit. We recommend those efforts be continued.</li> </ul>
<b>Fleet Division</b>	
<ul style="list-style-type: none"> <li>Generated Veeder Root tickets will be retained by the Fleet Division to support quantities of fuel received from vendors.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Complete</b> - During this follow-up period, the Fleet Division began retaining copies of Veeder Root tickets to show quantities of fuel received. We selected and reviewed three fuel purchases and verified the Veeder Root ticket for each of the purchases was retained. Accordingly, we consider this complete.</li> </ul>

**Table legend:**

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| <ul style="list-style-type: none"> <li>• Issue to be addressed from original audit.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Issue addressed and resolved.</li> <li>▪ Action Initiated but not completed.</li> </ul> |
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### *Conclusion*

As noted above in **Table 2**, twelve of the 14 action plan steps identified in audit report #1420 and due for completion as of September 30, 2014, have been successfully completed. Actions were initiated but not completed for the two remaining action plan steps for which completion was due as of that date.

As previously noted within this report, there are four action plan steps for which completion is due subsequent to September 30, 2014. Those four steps pertain to the implementation of a new citywide time and attendance system (two steps) and enhancement of controls for retirement benefits (two steps). We will follow up and report on those four action plan steps, as well as the status of the two other action plan steps not yet completed (as shown in Table 2 above), in our subsequent follow-up engagement.

We appreciate the cooperation and assistance of applicable City staff during this audit follow-up engagement.

### *Appointed Officials' Response*

#### **City Manager:**

I am pleased to see that out of the fourteen steps that were due as part of this follow-up for the Citywide Disbursements 2013 Audit, twelve action steps have been successfully completed and work has started on the remaining two action steps. I appreciate staff's work on ensuring that action items have been addressed and completed in order to ensure that City funds are disbursed for authorized and necessary purposes, in accordance with governing laws, rules, policies and procedures, and properly recorded and documented within the City's official financial records. I appreciate the work of the City Auditor and his staff on this follow-up audit.

#### **City Treasurer-Clerk:**

We appreciate the time and efforts of the City Auditor's staff in providing this report, and have taken note of the action plan steps recommended. We are pleased that one of the documents in question has been obtained, and we are continuing communication with the retiree in question to obtain the final documents required.

Copies of this Follow-Up Audit Report #1504 or the initial audit report #1420 may be obtained from the City Auditor's web site (<http://www.talgov.com/auditing/auditing-auditreports.aspx>), 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](mailto:auditors@talgov.com)).

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