

Audit

Follow Up

As of September 30, 2001



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

Report #0206

December 19, 2001

Summary

City departments have implemented the action plan steps due to date. 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. The four applicable City departments had a total of 27 action plan steps due for completion as of September 30, 2001. Those departments have now implemented all of those steps. Actions that remain to be taken in the next follow-up period include the recovery of funds from a vendor for charges in excess of contractually established prices and for duplicate payments.

established laws, rules, and procedures. However, the audit identified instances of inappropriate payments and opportunities to improve and enhance the disbursement process.

Report #0206

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 September 30, 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.

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

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 four applicable departments completed 27 (100%) of the action plan steps due as of September 30, 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.
<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"> Take appropriate action to recover overpaid amounts from Metlife. 	<ul style="list-style-type: none"> ✓ Amounts overpaid to Metlife were recovered through credits given by Metlife on subsequent premium payments.
<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"> Determine and document requirements for each subsequent written contractual agreement with employee benefit providers that will provide a clear basis for the determination of amounts employees must pay for the applicable benefits. 	<ul style="list-style-type: none"> ✓ Requirements which provide a clear basis for determination of amounts employees must pay for applicable benefits will be documented in all subsequent contracts.
<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.
Procurement Services	
<ul style="list-style-type: none"> Reimburse applicable current employees for amounts improperly deducted. 	<ul style="list-style-type: none"> ✓ Current employees that were owed moneys for the improper deductions were reimbursed.
<ul style="list-style-type: none"> Reimburse applicable former employees for amounts improperly deducted. 	<ul style="list-style-type: none"> ✓ Former employees that were owed moneys for the improper deductions were reimbursed.
<ul style="list-style-type: none"> Reimburse applicable retirees and surviving spouses for amounts improperly deducted. 	<ul style="list-style-type: none"> ✓ Retirees and surviving spouses that were owed moneys for the improper deductions were reimbursed.
<ul style="list-style-type: none"> Establish written contract administration procedures for reviewing contract payment requests to ensure compliance with contractual terms and conditions and to preclude duplicate payments. 	<ul style="list-style-type: none"> ✓ Contract administration procedures have been developed and will be incorporated into the department's policies and procedures currently being revised for the PeopleSoft financials system implementation.
<ul style="list-style-type: none"> For contracts with periodic payments and multiple units/services, develop a system to track payments by unit/service and by period for 	<ul style="list-style-type: none"> ✓ The new PeopleSoft financials system enables contract payments to be tracked. It also enables the contracts payments to be scheduled upon

<p>purposes of ensuring that payments are in accordance with terms and conditions and eliminating duplicate payments.</p>	<p>setup of the contract within the system.</p>
<ul style="list-style-type: none"> • Hold training sessions to educate applicable staff of the procedures for properly and adequately administering contracts. 	<p>✓ Training for the administration of contracts through the PeopleSoft system was provided as part of the PeopleSoft implementation.</p>
<ul style="list-style-type: none"> • Assign contract administration responsibilities for each contract to specific individuals, in a manner that ensures only one individual administers each contract. 	<p>✓ Contracts for specific departments are administered by those departments' designated procurement agents. Also, a specific procurement agent has been assigned responsibility for all citywide contracts.</p>
<ul style="list-style-type: none"> • Establish procedures to ensure that amendments to existing contracts are properly executed and documented. 	<p>✓ Contract administration procedures have been developed and will be incorporated into the department's policies and procedures currently being revised for the PeopleSoft financials system implementation.</p>
<p>Fire Department</p>	
<ul style="list-style-type: none"> • Take necessary steps to record the purchased lawn mowers in the City's property records. 	<p>✓ The lawn mowers were recorded in the City's property records based on actions taken by the Fire Department.</p>
<ul style="list-style-type: none"> • Take the necessary steps to attach fixed asset tags to the lawn mowers. 	<p>✓ Fixed asset tags identifying the lawn mowers as City property were attached to the lawn mowers.</p>
<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. 	<p>✓ 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.</p>
<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. 	<p>✓ 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.</p>
<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. 	<p>✓ 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.</p>
<p>Retirement Division</p>	
<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. 	<p>✓ A procedure was established that provided for the retention of MAP contribution change forms for periods specified by applicable State requirements.</p>
<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. 	<p>✓ Training sessions were held that addressed the revised procedures.</p>
<ul style="list-style-type: none"> • Establish procedures to perform and document analyses of annual salary histories for retiring 	<p>✓ A procedure was established that provided for analyses of available annual salary histories for</p>

employees.	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 on 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.
<ul style="list-style-type: none"> • Review and revise as necessary internal procedures for ensuring that pre-retirement benefits are paid only to legally dependent children meeting eligibility requirements established in the approved pension plan rules. 	<ul style="list-style-type: none"> ✓ The ordinance governing pension benefits to legally dependent children was changed to include all children of the participant less than 22 years of age, and stepchildren or grandchildren less than that age who receive greater than 50% of their support from the participant. This broadening of the definition of legally dependent children should eliminate the misapplication of pension rules as noted in the audit report.
<ul style="list-style-type: none"> • Hold training sessions with applicable staff that address the determination of whether children of deceased employees meet the eligibility requirements for legally dependent children, as defined in the approved pension plan rules. 	<ul style="list-style-type: none"> ✓ Training has been held regarding the revised pension ordinance that addresses legally dependent children.

Table Legend:

- Issue addressed in the original audit

- ✓ Issue addressed and resolved

Significant Outstanding Issues

As noted above, the applicable departments have taken appropriate steps to complete the action plan steps due for completion by September 30, 2001. The remaining steps due for completion in the next follow-up period include the recovery of funds, totaling \$4,990, from a vendor for amounts charged/paid in excess of contractually established prices and for duplicate payments. Actions taken to complete those steps will be reported on in our next follow-up report.

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

Response from Appointed Officials

City Manager Response:

We appreciate the efforts of the City Auditor's office in identifying the corrective actions necessary. All corrective actions have been completed by all departments. We believe these actions have improved the identified processes.

City Treasurer-Clerk Response:

The City Treasurer-Clerk's Office concurs with the recommendations made in the "Citywide Disbursements 2000 Audit" as they relate to the Retirement Division. All recommendations have now been implemented. I want to commend the Treasurer-Clerk's Retirement Division for their effort to implement the recommendations in a timely manner and to thank you and your staff for your assistance and professionalism in completing this audit.

Copies of this Audit Follow Up or audit report #0117 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).

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