

Audit

Follow-Up

As of December 31, 2015



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City Auditor

Citywide Disbursements 2013

(Report #1420, Issued July 7, 2014)

Report #1607

January 21, 2016

Summary

Seventeen of the 18 action plan steps established to address issues identified in audit report #1420 have been completed or otherwise resolved as of December 31, 2015. Actions have been initiated but not completed for the one remaining step. We will follow up on efforts to complete that remaining action plan step in our subsequent follow-up engagement.

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. Sixteen of those 18 steps were shown as completed or resolved in our previous follow-up engagement report (#1511).

In regard to the two remaining action plan steps, each of which was due for completion no later than September 30, 2015, we determined during this third follow-up engagement that one had been completed and efforts were ongoing to complete the other step. Specifically, as of December 31, 2015:

Completed Action:

The Department of Management and Administration (DMA) completed

implementation of the new citywide time and attendance system.

Ongoing Efforts:

A supplemental agreement with the vendor supplying the new citywide time and attendance system had not yet been executed. The supplemental agreement (contract amendment) is needed to clarify the contract period and services and fees authorized by the City Commission.

Table 2 within this report provides additional details of the status for the two action plan steps addressed by this follow-up engagement.

We appreciate the cooperation and assistance provided by DMA 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. Recommendations were made accordingly.

Report #1607

This is our third 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 as of December 31, 2015, to complete remaining action plan steps due for completion as of September 30, 2015. 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
Totals	352,598	\$1,043,387,618
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. Each of those 18 action plan steps was due for completion as of September 30, 2015. As shown below in Table 2, as of December 31, 2015, 17 of those 18 steps had been completed and/or otherwise resolved.

Table 2
Action Plan Steps from Audit Report #1420
Due as of September 30, 2015, and Current Status as of December 31, 2015

Action Plan Steps Due	Current Status as of December 31, 2015
Ensure disbursements are proper, authorized, supported, recorded, and made in accordance with governing laws, rules, policies, and procedures	
<i>Environmental Policy and Energy Resources (EPER)</i>	
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<ul style="list-style-type: none"> • 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). 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<ul style="list-style-type: none"> • Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Electric Utility</i>	
<ul style="list-style-type: none"> • Staff will be reminded to apply the most appropriate competitive procurement method for all future acquisitions of power plant accessories. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<ul style="list-style-type: none"> • 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). 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.

<i>Underground Utilities</i>	
<ul style="list-style-type: none"> • Sole source justification forms will be approved by the appropriate authority as required by City policy. 	<ul style="list-style-type: none"> ❖ <u>Resolved</u> – Resolved in a prior period.
<ul style="list-style-type: none"> • Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Procurement Services</i>	
<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Public Works</i>	
<ul style="list-style-type: none"> • As applicable, commencement and completion dates will be established in future task orders for engineering design services. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Department of PLACE</i>	
<ul style="list-style-type: none"> • Staff will be reminded and efforts will be enhanced to ensure the most appropriate coding and classification of disbursements within the PeopleSoft Financials System. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Tallahassee Police Department</i>	
<ul style="list-style-type: none"> • Applicable staff will be reminded to ensure supplements paid to TPD officers are properly and accurately determined based on provided documentation. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<i>Department of Management and Administration</i>	
<ul style="list-style-type: none"> • The new citywide time and attendance system will be implemented to require assertions from employees and their supervisors as to the time worked. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – In our initial audit, we reported instances where employee timesheets were not signed by the sampled employees and/or the employees’ supervisors or their designees. Similar findings were noted by the City’s external auditors in their audit of the City’s fiscal year 2014 financial statements. As reported, signatures by the City employees were required by City administrative policy as the employees’ assertion of their time worked and leave taken. Similarly, signatures by the employees’ supervisors (or designees) were

	<p>required by City policy as documentation of their validation as to the correctness and accuracy of the recorded employee work time and/or leave taken.</p> <p>As also reported in our initial audit, the City was in the process of implementing a new citywide time and attendance system, for which one aspect would require each employee and his/her supervisor to electronically assert and confirm the accuracy and correctness of the time worked and leave taken for each pay period. That new system was implemented effective October 31, 2015. Under the new system, employee assertions as to time worked and leave taken are electronically recorded for the employee and then approved by the employee and the employee's supervisor. The intent of this new system is to make the time and attendance process more efficient and to facilitate management's ability to ensure employees work time and leave taken are properly and correctly accounted for and documented.</p> <p><u>Auditor Comment:</u> Because of unique circumstances, the new time and attendance system has not been implemented for use by temporary employees working for the Parks, Recreation, and Neighborhood Affairs (PRNA) Department. Accordingly, we recommend managers of that department enhance their oversight efforts over the current process to ensure timesheets for those temporary employees are properly and correctly completed and approved by appropriate supervisors. Similar recommendations were also made in our recent follow-up audit report #1602, dated January 4, 2016, which pertains to timekeeping procedures and processes at a specific PRNA facility.</p>
<ul style="list-style-type: none"> • A supplemental agreement will be executed with Immix Technology and Kronos, Inc. to cover the last two years addressed in the sales quotation. That supplemental agreement will provide the costs for those services will not exceed \$680,004. 	<ul style="list-style-type: none"> ➤ <u>In Progress</u> - As noted in the status reported for the previous action plan step, DMA recently implemented a new citywide time and attendance system. In our initial audit, we reported the City Commission had authorized DMA to enter into a contract with the applicable vendor (Immix Technology, Inc.) to implement that new system (Kronos Timekeeper Software).

	<p>The vendor proposal and related agenda item presented to and approved by the City Commission provided for the vendor to be paid \$2,111,246 over five years. That cost was to cover license and subscription fees, implementation, and training, with the majority of the cost to be paid over the first three years.</p> <p>Although the vendor proposal and related agenda item considered and addressed costs (including fees) over the first <u>five</u> years of operation, we reported in our initial audit that DMA executed an agreement with the vendor that only addressed implementation and operational costs for the initial <u>three</u> years of operation. The contracted costs for that initial three-year period totaled \$1,431,242, which we reported was reasonable in relation to the vendor proposal for that period. DMA indicated that staff oversight had resulted in the initial agreement covering three years instead of the five years contemplated in the initial vendor proposal and the agenda item presented to the City Commission for authorization. To ensure the City obtained the price established by the vendor proposal, we recommended in our initial audit that DMA execute a supplemental agreement (or contract amendment) with the vendor for the remaining two years. As reported, the costs for those two years should not exceed \$680,004 based on the vendor proposal.</p> <p>In our prior follow-up audit report (#1511), dated June 17, 2015, we reported that this action plan step had not yet been completed, in large part due to a turnover in a key management position within a DMA division (Accounting Services). That is, while the former division manager (no longer employed by the City) was knowledgeable of the need for the supplemental agreement, the current manager was not, until we commenced our prior follow-up engagement.</p> <p>As also reported in our prior follow-up report (#1511), DMA subsequently obtained authorization from the City Commission to fund additional services that were not foreseen at the date of the initial vendor proposal and contract.</p>
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	<p>Based on the approved authorization, additional funds of \$671,756 were to be paid over a five-year period for these additional services. Accordingly, we recommended that the supplemental agreement (described above) also include terms addressing these additional services.</p> <p>During this current follow-up engagement, DMA indicated that as of December 31, 2015, discussions had been held with Immix Technology, Inc., as to a supplemental agreement, but no such agreement had been drafted or executed. <u>We again recommend</u> that DMA execute a supplemental agreement that addresses both (1) the last two years of the initial vendor proposal and related authorization and (2) the additional services (at a cost of \$671,756) to be provided over the five-year agreement period.</p>
<p>Retirement Division</p>	
<ul style="list-style-type: none"> Automated system controls will be established and implemented to preclude generation of retirement benefits beyond PeopleSoft Human Resources System (PSHR) required termination dates. These system dates will be based on retirement option selected and will be required before benefits are initiated. Alternatively, manual monitoring procedures will be enhanced to ensure retirement payments to beneficiaries are terminated when designated payout periods end. 	<p>✓ <u>Complete</u> – Completed in a prior period.</p>
<ul style="list-style-type: none"> Efforts will be made to develop and employ PSHR system controls to prevent improper multiple retirement payments to individuals with related identification numbers. Alternatively, an enhanced and formal manual review process will be developed and used to detect and preclude/stop improper multiple retirement benefits to individuals with related identification numbers. 	<p>✓ <u>Complete</u> – Completed in a prior period.</p>
<ul style="list-style-type: none"> 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 	<p>✓ <u>Complete</u> – Completed in a prior period.</p>

applicable to determinations of and eligibility for retirement benefits.	
<i>Fleet Division</i>	
<ul style="list-style-type: none"> Generated Veeder Root tickets will be retained by the Fleet Division to support quantities of fuel received from vendors. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.

Table legend

- Issue to be addressed from original audit.
- ❖ Issue resolved in a prior period.
- ✓ Issue addressed and resolved.
- Action in progress.

Conclusion

As noted above in Table 2, 17 of the 18 action plan steps established to address issues identified in audit report #1420 have been successfully completed or otherwise resolved. Efforts are ongoing to complete the remaining action plan step. That step pertains to execution of a supplemental contractual agreement with the vendor that recently implemented the new citywide time and attendance system. We will follow up and report on that remaining action plan step in our subsequent follow-up engagement.

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

Appointed Official's Response

City Manager:

I am pleased to see that the third follow-up on the Audit of Citywide Disbursements indicates that 17 out of the 18 steps have been completed and action steps are on-going to complete the one remaining step. Two of those 18 steps were completed during this follow-up period, while 15 steps were completed in the previous follow-up periods. Additionally, I am extremely pleased that the overall scope of the audit indicated that disbursements were made in accordance with established laws, rules, policies, and procedures. I would like to thank the City Auditor's Office as well as all of the departments for their efforts in this audit and the progress made to date.

Copies of this Follow-Up Audit Report #1607 or the initial audit report #1420 may be obtained from the City Auditor's web site (<http://www.tal.gov.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@tal.gov.com).

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