

Final Audit Follow-Up

As of June 30, 2016



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City Auditor

Citywide Disbursements 2013

(Report #1420, Issued July 7, 2014)

Report #1617

August 2, 2016

Summary

As noted in our prior follow-up report, 17 of the 18 action plan steps established to address issues identified in our initial audit had been completed or otherwise resolved as of December 31, 2015. During this follow-up engagement, we determined that actions to complete the one remaining step had not been completed. That action plan step provides for the City's execution of a supplemental agreement with a vendor to clarify the contract period and services and related fees authorized by the City Commission. Responsibility for ensuring that step is completed is turned over to City management.

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. Seventeen of those 18 steps were shown as completed or resolved in our previous follow-up engagement report (#1607).

We determined during this fourth and final follow-up engagement that the remaining action plan step, initially due for completion as of October 1, 2014, had not been completed. Specifically, 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 that action plan step addressed by this follow-up engagement.

We appreciate the cooperation and assistance provided by the Department of Administration and Professional Services 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 #1617

This is our fourth and final 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 department as of June 30, 2016, to complete the one remaining action plan step initially due for completion by October 1, 2014. To determine the status of that action plan step, we interviewed applicable staff and obtained and reviewed relevant documents.

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. All 18 action plan steps were initially due for completion no later than December 31, 2014. As shown below in Table 2, as of June 30, 2016, 17 of the 18 steps had been completed and/or otherwise resolved. Responsibility for ensuring completion of the one remaining action plan step is turned over to City management.

**Table 2
Action Plan Steps from Audit Report #1420
Current Status as of June 30, 2016**

Action Plan Steps Due	Current Status as of June 30, 2016
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. 	❖ <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. 	✓ <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. 	✓ <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. 	✓ <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. 	✓ <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. 	✓ <u>Complete</u> – Completed in a prior period.
<i>Department of Management and Administration (Reorganized into the Department of Administration and Professional Services)</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. 	✓ <u>Complete</u> – Completed in a prior period.
<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. 	➤ <u>Turned over to Management</u> - In our initial audit, we reported the City Commission authorized the former Department of Management and Administration (DMA) to enter into a contract with a specific vendor (Immix Technology, Inc.) to implement a new

	<p>citywide time and attendance system (Kronos Timekeeper Software). As reported in our previous follow-up report, that system was implemented by DMA effective October 31, 2015. 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>As also reported in one of our prior follow-up reports (#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. Based on the approved authorization, those additional funds of \$671,756 were to be paid over a five-year period. Accordingly, we recommended in that follow-up report that the supplemental agreement to be executed (see previous paragraph) also address those additional funds.</p>
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	<p>During this current follow-up engagement, we determined that the Department of Administration and Professional Services (successor to the former DMA) had <u>not</u> executed supplemental agreements with Immix Technology, Inc. to address the last two years of the initial proposal or the additional funds subsequently authorized by the City Commission. Execution of a supplemental agreement properly and adequately addressing those two areas should be done to protect the best interest of the City; specifically, to help ensure the intended services are provided and that amounts paid by the City for those services are in accordance with the initial proposal and the supplemental appropriation. In response to our inquiry as to why this step had not been completed, management acknowledged its importance but indicated that other City priorities had precluded them from negotiating and executing the agreement.</p> <p><u>We recommend</u> City management follow through on this matter to ensure an appropriate and adequate supplemental agreement is executed with the vendor.</p>
<p><i>Retirement Division</i></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 applicable to determinations of and eligibility for retirement benefits. 	<ul style="list-style-type: none"> ✓ <u>Complete</u> – Completed in a prior period.
<p>Fleet Division</p>	
<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.

- ✓ Issue addressed and resolved.
- Responsibility for ensuring action is completed turned over to City management.

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. The last of those 18 steps had not been completed as of the date of this follow-up report. That step involves execution of a supplemental contractual agreement with the vendor that recently implemented the new citywide time and attendance system. Responsibility for ensuring completion of that action plan step has been turned over to City management.

We appreciate the cooperation and assistance of staff from the Department of Administration and Professional Services during this audit follow-up engagement.

Appointed Official's Response

City Manager:

The City Auditor's Office has completed their audit of Citywide Disbursements 2013 and I am pleased to see that 17 out of the 18 steps have been successfully completed. We acknowledge the importance of the final step and discussions are ongoing with the vendor to execute a supplemental contractual agreement. I would like to thank the Auditor's Office for their professional work on this audit. I would also like to thank the involved departments for their efforts.

Copies of this Final Follow-Up Audit Report #1617 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).

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