



**Council Auditor's Office**

**Municipal Code Compliance Division Revenue Audit Follow-up Report**

**Report #726B**

**Released on: May 28, 2020**

**OFFICE OF THE COUNCIL AUDITOR**  
 Suite 200, St. James Building



May 28, 2020

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Honorable Members of the City Council  
 City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #726, Municipal Code Compliance Division Revenue Audit, to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to the City’s Chief Administrative Officer on May 14, 2019 inquiring as to the status of the remaining original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditees’ responses to our follow-up letter. We then performed limited testing to verify the responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Resolved Prior to This Follow-up	Remaining Issues Prior to This Follow-up	Issues Resolved During This Follow-up	Remaining Issues
Internal Control Weaknesses	4	1	3	0	3
Findings	6	4	2	1	1
Opportunities for Improvement	2	0	2	1	1
<b>Total</b>	<b>12</b>	<b>5</b>	<b>7</b>	<b>2</b>	<b>5</b>

The following is a brief summary of the remaining issues with responses from Michael Chao, Chief of the Municipal Code and Compliance Division that we received on December 20, 2019 and from Terri Marks, Assistant Comptroller in the City’s Accounting Division that we received on December 4, 2019.

**Internal Control Weakness 1 \*Lack of Segregation of Duties\***

Internal Control Weakness 1 found segregation of duties issues with the nuisance, demolition, and administrative liens payments received by the Accounting and Municipal Code Compliance Divisions. In our original report, we recommended that neither Division receive these payments.

During the first follow-up these issues were still in place. During the current follow-up, we reviewed 1,093 cash receipts (CRs) that were posted during the first eight months of fiscal year 2018/19 and found that none were processed by the Accounting Division and only one was processed by the Municipal Code Compliance Division (MCCD); so it seems that our recommendation was implemented. However, it appears that a segregation of duties issue was created for the Administrative Liens. Although, the receipt and recordkeeping of the payments are segregated, the reconciliations are performed by the same person who creates the receipts within the Office of Director of the Neighborhoods Department.

We recommend that the duty of creating the receipts for deposit be separated from the reconciliation in order to comply with the City’s policy on cash receipts.

***Municipal Code Compliance Division Response to the Follow-Up of Internal Control Weakness 1***

Agree                       Disagree                       Partially Agree

*We recognized this process improvement approximately 2 months ago and have made adjustments in line with the recommendations. Our current process is one staff member handles the Cash Receipt (CR) portion of the process and a second staff handles the reconciliation of the CR.*

**Internal Control Weakness 2 \*Access Rights\***

Internal Control Weakness 2 found various issues with system access rights for both the Property Inspection and Contract Solutions (PICS) and lien tracking systems, which are managed by MCCD and the Accounting Division, respectfully. In our original report, we recommended roles with super access be limited, that periodic reviews of system access rights be performed, and that the MCCD ensure that access rights to the PICS system are only assigned to individual users with a valid business purpose. Our follow-up review found that even though MCCD had a policy regarding review of access rights, it appears that the policy isn’t followed completely. There was no documented proof of any changes made after their review and the reviews appear to be on an annual basis as opposed to semi-annually as stated in MCCD’s policies and procedures. We also found two instances in which the access rights for a past employee were kept active in PICS for several months after their employment. In addition, the documentation supplied by the Accounting Division had no indication of when an access review of the lien tracking system took place or any changes that may have happened after the review.

We recommend that the MCCD terminate PICS access for any past employee immediately following their departure. We also recommend that MCCD follow their access rights policy and conduct their reviews semi-annually and that both Divisions retain documented proof of their access rights review.

***Municipal Code Compliance Division Response to the Follow-Up of Internal Control Weakness 2***

Agree                       Disagree                       Partially Agree

*MCCD utilizes the “Out-processing for Employees” process as outlined on the Employee Portal. The supervisor contacts ITD to have the employee’s access removed on their last day of employment with the City. This removes all log-in access for the departing employee to any of the City’s programs and/or databases. The two employees that are referenced in the audit, performed*

*specialized functions within MCCD. The request to remove their log-in rights were requested through ITD upon separation from the City. Additionally, MCCD will re-assign the employee's activities in PICS to the supervisor and remove their access to PICS completely upon their departure. These activities will be re-assigned to the new staff once they are trained.*

***MCCD is completing bi-annual reviews and these reviews are scheduled on the calendar.***

***Accounting Division Response to the Follow-Up of Internal Control Weakness 2***

Agree                       Disagree                       Partially Agree

*We have completed two reviews of employee access since 2017; April 2018 and November 2019. In our quest to determine how to document changes made in the system, we contacted our ITD Lien Tracking System program manager; this division creates the In-House system. We inquired if a date field could be created and populated when system changes are made; however, there is no functionality available to accommodate this request. Therefore, we created an alternative solution/mitigating control. The annual process is for the Manager of AR/AP to pull a list of all employees with their access. The Manager will then email the Tax Collector and the Director of Neighborhoods for them to verify and validate their divisional users. The Manager of AR/AP validates the Accounting Division users. After all changes are made in the system, a final list of users will be printed to pdf, scanned and emailed to the Assistant Comptroller. The date of this email will be considered the effective date of the review. The pdf will be placed in a special folder on our Finance shared G: Drive for historical tracking.*

*We are working with ITD to obtain a better system, i.e. a comprehensive fully automated integrated software. An ITD Business Analyst was assigned to this project and she is in the midst of gathering requirements and documenting business processes. A meeting was held with Accounting and ITD on 12-4-19 and the decision to procure a new system was affirmed. Our request for a new system will be via the Five-Year plan. Several months ago, we reached out to our implementation team, AST, to see what current products could possibly be used and we were unable to find a solution. More recently, AST contacted Oracle to identify any vendors/partners that may be able to provide similar functionality.*

**Internal Control Weakness 3 \*Problems with the Tax Lien Database\***

During the initial audit, Internal Control Weakness 3 found that there were multiple problems with the lien tracking system (a Microsoft Access database) including interfacing issues, the ability of all users to potentially manipulate data, limited public access, and reporting capability deficiencies. We recommended that the Accounting Division and the Information Technologies Division (ITD) evaluate the cost/benefit of replacing the current system to increase efficiency and improve security. ITD's response to our most recent inquiry indicates that they plan to advertise an RFP for the City's lien tracking needs in fiscal year 2020/21. Due to their response, we will follow-up on this item in the future.

**Finding 6 \*Timely Transfer to the Collection Agency\* and Opportunity for Improvement 1 \*Collection Fees\***

During the initial audit as notated in Finding 6, we found that the Accounting Division did not have written guidelines within its standard operating procedures (SOPs) stating when unpaid liens should be sent to the collection agency. We recommended that they create those guidelines.

Opportunity for Improvement 1 recommended that the Accounting Division amend and/or rebid the contract with the collection agency to allow the City to charge a collection fee to the property owner as authorized by Ordinance Code Section 112.115.

The Accounting Division responded to Finding 6 and Opportunity Improvement 1 stating that they are not currently sending liens to the collection agency but they have plans to advertise a new Request for Proposal in fiscal year 2019/20 for a collection agency. Due to their response, we will follow-up on these two items in the future.

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We would like to thank the Municipal Code Compliance and Accounting Divisions for their cooperation in conducting this follow-up review.

Sincerely,

*Kyle S. Billy*

Kyle S. Billy, CPA  
Council Auditor