



**Council Auditor's Office**

**Follow-up Report**

**April 23, 2013**

**Report #737**

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



July 30, 2013

Report #737

Honorable Members of the City Council  
City of Jacksonville

The purpose of this report is to document our annual follow-up review of past reports to determine whether or not 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.

In determining our population for this follow-up review, we included all of our reports that had not been included in previous follow-up reviews as well as items which were found to be non-compliant in previous follow-up reviews. We then excluded our more recent reports (e.g. reports issued within the previous twelve months) in order to provide auditees the time necessary to implement our recommendations. We also excluded reports which do not require or lend themselves to a follow-up review, such as the quarterly summary financial reports. This process resulted in the following list of six reports requiring follow-up review, as well as six reports for which compliance had not yet been achieved in our previous follow-up review(s). We excluded the Clerk of the Courts Audit Report #685 from this process due to the move to a new courthouse and the recent election of a new Clerk. This audit will be included in our next follow-up report.

**Six Reports Requiring Follow-up Review**

1. City Accounts Receivable Audit Report #697 (March 2011)
2. Supervisor of Elections Audit Report #694 (January 2010)
3. Shands Indigent Care Audit Report #693 (December 2010)
4. Jacksonville Aviation Authority Accounts Payable Audit Report #691 (December 2010)
5. Value Adjustment Board Revenue for 2008 and 2009 Report #688 (October 2010)
6. Landfill Ticket Audit #683 (July 2010)

**Six Reports for Which Compliance Had Not Been Achieved Per Previous Follow-up Review(s)**

7. JEA Franchise Fee and Public Service Tax Audit #682 (June 2010)
8. Tax Collector Audit Report #678 (March 2010)
9. Northwest Jacksonville Economic Development Trust Fund Audit Report #672 (October 2009)
10. Treasury Division Check Pick-Up Audit Report #671 (September 2009)
11. Public Buildings Division Audit Report #664 (June 2009)
12. Procurement – Sole Source/Proprietary Purchases Audit Report #647 (May 2008)

We sent follow-up letters to the first six auditees inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit reports, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter.

We then performed limited testing on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in the auditees' response. The following is a brief summary of the results of our follow-up inquiry and testing.

**1. City Accounts Receivable Audit Report #697 (March 2011)**

Based on the responses received from the Finance Department and our follow-up testing of a judgmentally selected sample, it appears that the Accounting Division has complied with our audit recommendations with the following exceptions:

- A. Internal Control Weakness 1-3 stated the accounts receivable (A/R) supervisor has the ability to review delinquent invoice reports and prevent any account from being sent to the outside collection agency without documenting why the account was not sent to collections. The Finance Department responded that in the future any account that was not sent to collections would state the reason it is being withheld documented on the applicable 80-day notice accompanied by the date and initials of the A/R manager. It appears A/R has implemented this procedure; however, we found four instances, from a sample of eight 80-day notices, in which the invoices were incorrectly left in as a receivable. Two of the four invoices had been sent to the collections agency, but never moved to a delinquent status within FAMIS (the City's financial accounting software) and the other two were overlooked and should have been sent to collections.

**Finance Department Response to the Follow-Up of Internal Control Weakness 1-3**

Agree                       Disagree                       Partially Agree

*There are times when accounts do not get sent to collections in a timely manner. The A/R system of transferring accounts to collections per policy is not automated. The sending of accounts to the collection agency is a manual process and this can cause delays in processing. Delinquent accounts are sent to collections as soon as practicable.*

- B. Opportunity for Improvement 1-1 stated the City has been operating under the same contract for collection services with the same company for nearly 10 years and a Request for Proposal (RFP) should be issued for the City's collection contract. The Finance Department responded that they agreed it may be in the best interest of the City to do an RFP for the collections contract and would proceed with preparing an RFP in fiscal year 2011/12, workload permitting. In their follow-up responses received in the spring of 2012, the Finance Department indicated that due to the change in administration and pending reform legislation, the timing was not considered appropriate to issue an RFP for the City's collection contract. This item will be included in a future follow-up.

**Finance Department Response to the Follow-Up of Opportunity for Improvement 1-1**

Agree                       Disagree                       Partially Agree

*The issue concerning an RFP for a collection agency was presented to the new administration. Given the current financial conditions, the new finance director has suggested investigating selling the delinquent accounts. This would generate immediate cash flow and in some cases, more revenue than we now receive, net of collections expenditures. This suggestion is currently being investigated. No final decision has been made at this time.*

## **2. Supervisor of Elections Audit Report #694 (January 2010)**

Based on the responses received from the Supervisor of Elections (SOE) and our follow-up testing of a judgmentally selected sample, it appears that the Supervisor of Elections has complied with our audit recommendations with the following exception:

- A. Finding 2–3 found two capital assets with a cumulative cost of \$22,942.93 were purchased using operating funds during fiscal year 2008/09 and were not added to the City’s capital assets inventory list. This issue was brought to the City’s Accounting Division who is responsible for adding purchases to the capital assets list; however, our follow-up testing showed that the assets were never added to the capital asset listing even though they remain in the SOE’s possession.

### ***Supervisor of Elections Response to the Follow-Up of Finding 2-3***

Agree                       Disagree                       Partially Agree

*Please refer this to the City's Finance Department. The accounting division is responsible for tagging capital assets with the city identification number. The SOE office has tagged both items with an internal tag used to track items that belong to the SOE office.*

### ***Finance Department Response to the Follow-Up of Finding 2-3***

Agree                       Disagree                       Partially Agree

*The referenced assets have been tagged and put in the Capital Assets sub-system. The procedures noted in the Accounting Division's original response have been put in place and are currently being followed.*

## **3. Shands Indigent Care Audit Report #693 (December 2010)**

Based on the responses received from Shands and our follow-up testing of a judgmentally selected sample, it appears that Shands has complied with our audit recommendations; however, Opportunity for Improvement 1–1 in the Shands Indigent Care Audit stated that no department or agency within the City was monitoring the City’s agreement with Shands outside of the periodic audit performed by the Council Auditor’s Office.

The response from the City Administration stated that the Finance Department would be in charge of monitoring the agreement. Although the City is now verifying that all elements are

properly in place prior to submitting payment to Shands, no one is performing any form of contract compliance review to confirm that the expenses claimed by Shands are permissible according to the agreement.

***Chief Administrative Officer Response to the Follow-Up of Overall Opportunity for Improvement 1***

Agree                       Disagree                       Partially Agree

*The Finance Department will verify that all elements are properly in place prior to submitting payments to Shands Indigent Care. The Manager of Accounts Services in the Treasury Division will review and confirm expenses claimed by Shands, i.e, resident requirement and proper income level. This will be done one to two times per year.*

**4. Jacksonville Aviation Authority Accounts Payable Audit Report #691 (December 2010)**

Based on the responses received from the Jacksonville Aviation Authority (JAA) and our follow-up testing of a judgmentally selected sample, it appears that JAA has complied with our audit recommendations with the following exception:

- A. Internal Control Weakness 2-2 stated JAA did not have specific guidelines in place to outline appropriate business promotion expenditures. JAA responded stating they would draft a business promotion policy; however, our follow-up testing found that the business promotion policy currently being used has not been updated since January 1, 1990 which initiated our original recommendation.

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

Agree                       Disagree                       Partially Agree

*A draft policy has been prepared and is going through the review process.*

**5. Value Adjustment Board Revenue for 2008 and 2009 Report #688 (October 2010)**

Based on the responses received from the Value Adjustment Board (VAB) and our follow-up testing of a judgmentally selected sample, it appears that the VAB has complied with our review recommendations with the following exception:

- A. Internal Control Weakness 8 indicated that VAB's computerized database lacked basic accounting controls that would lock the prior year's information to prevent changes from being made to records within that year. Also, no control was in place to provide an audit trail for changes, corrections, and deletions made to records within the system. Through testing, we found closed VAB year petition record information cannot be deleted, but can still be altered by VAB employees. There is also no audit trail function in the database to determine what changes are made and by whom.

**VAB Response to the Follow-Up of Internal Control Weakness 8**

Agree                       Disagree                       Partially Agree

*In accordance with the September 2010 Audit Review, the VAB Petition Record information cannot be deleted and is closed for this function. The only function that VAB employees can change are addresses, name information or correction, or if the parcel number is miss keyed. However, no financial information can be altered by VAB employees. The changes that require any other function has to be implemented under the direction of the Database Administrator. The database has to be a accessible in that the actions on the files are ongoing and must be updated in the system until that petition is finalized by a vote of the Value Adjustment Board.*

*However, the review is correct in that the current database cannot track a change in the record. (Only changes not tracked are those listed above... all financial transactions can be tracked through CR's and had copy receipts.) This function is being taking into consideration with the new database system under construction.*

*The VAB Clerk welcomes the opportunity to continue to work with the appropriate personnel of the City of Jacksonville to improve the VAB processes.*

**6. Landfill Ticket Audit #683 (July 2010)**

Based on the responses received from the Public Works Solid Waste Division and our follow-up testing of a judgmentally selected sample, it appears that Solid Waste has complied with our audit recommendations with the following exceptions:

- A. Finding 1–5 stated a number of cash deposits were not transferred to the Tax Collector in a timely manner. Solid Waste responded that revenue collected at the Landfill will be deposited on the next business day; however, we found several instances in our follow-up testing where revenue collected was not picked up on the next available armored car service pick up date.

**Public Works Response to the Follow-Up of Finding 1-5**

Agree                       Disagree                       Partially Agree

*Employees have been instructed to prepare the deposit and place in the appropriate drawer for deposit prior to leaving the landfill so that the deposit can be collected the following business day. It is not cost effective to pay for a armored car pick-up on Monday morning since there is a limited amount of cash collected on Saturday. Saturday deposits are collected by the armored car service on Tuesday due to the relatively small amount of cash collected on Saturday compared to the cost of having the armored car service pickup on Monday. This policy will be reviewed with the scale staff and the collection log from the armored car service will be monitored to ensure compliance.*

- B. Opportunity for Improvement 2-1 stated truck tare weights were not being rechecked after the initial tare weight is taken. Solid Waste responded that procedures had been put in place to require that tare weights on trucks be verified annually. During follow-up testing, we found that the Landfill does not have a system in place to ensure that trucks dumping on account are having their tare weights checked annually.

***Public Works Response to the Follow-Up of Opportunity for Improvement 2-1***

Agree                       Disagree                       Partially Agree

*A spreadsheet was created last year that tracks the annual weighing of vehicles which was completed by the date of the spreadsheet, May 30, 2012. A "Date Completed" column will be added so that the date each vehicle is completed is recorded. The tare verification process is in progress for 2013. We are reviewing components in the truck edit function of the CompuWeigh system with ITD to determine if there are options that will aid in this process.*

- C. Finding 3-2 stated some customers dumping on account had unpaid invoices greater than their security deposits. Solid Waste responded that they were looking into an enhancement in their computer system to automatically flag customers that have charges for dumping that exceed their security deposit. During our follow-up, we found that the current computer system does not automatically flag customers that dump on account who have charged beyond their security deposit.

***Public Works Response to the Follow-Up of Finding 3-2***

Agree                       Disagree                       Partially Agree

*We have been working with the vendor through IT for a resolution to this issue with one possibility being creating a report to monitor to manually accounts. However, we have learned through recent direct conversations with a programmer from Paradigm that there are a series of settings that can be programmed that could resolve the issue and possibly provide a systematic solution. We will coordinate with IT and the vendor to get necessary data loaded into test system and begin testing these functions for possible resolution to this issue.*

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We sent follow-up letters to the next six auditees inquiring as to the status of the following delinquent audit report recommendations that remained open in our last follow-up report, number 717.

We reviewed the recommendations from our last follow-up report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed testing on all these delinquent findings to verify that our recommendations have been implemented as stated in the auditees' response. The following is a brief summary of the results of our delinquent follow-up inquiry and testing.

**Outstanding Items from Follow-Up Audit Report #717 dated July 3, 2012**

**7. JEA Franchise Fee and Public Service Tax Audit #682 (June 2010)**

Based on conversations with the City Treasury Division and documentation received from the franchisee, it appears the City Finance Department has not complied with our additional audit finding recommendation to pursue the execution of a franchise agreement with a certain natural gas provider; and therefore, the City is unaware if they are receiving all of the revenue that would be required under an executed franchise agreement.

***Finance Department's Second Response to the Follow-Up of Additional Finding***

Agree                       Disagree                       Partially Agree

*The Finance Department will contact the gas provider and obtain assistance from the Office of General Counsel to pursue the necessary franchise agreement.*

**8. Tax Collector Audit Report #678 (March 2010)**

Our follow-up testing from the Council Auditor's Follow-up Report #717 revealed that the Tax Collector's Office in conjunction with the Information Technologies Division and the Finance Department has not complied with our audit recommendations from the original audit report #678 as noted below:

- A. Finding 1-3 in the original audit report stated that the Tax Collector's Office should pursue an amendment to Municipal Code Section 110.202(b) to reflect service fees for returned checks that are allowed to be collected by the Florida Statutes and that the Tax Collector Policies be updated accordingly. The Tax Collector's Office stated that they would continue to work with the General Counsel's Office to obtain a written opinion documenting the appropriate fees to be charged for returned checks. The Tax Collector's Office met with the City CFO and it was decided then that the Finance Department should initiate any addressing of fees as they are the party responsible for City finances. Our follow-up testing of a judgmentally selected sample revealed that the fees as outlined in the Municipal Code have not yet been updated, which the Finance Department recognizes; however, the Tax Collector's Office appears to be charging the returned check service fees allowed under the Florida Statutes.

***Tax Collector's Second Response to the Follow-Up of Finding 1-3***

Agree                       Disagree                       Partially Agree

*Michael Corrigan met with Ronnie Belton on March 30, 2012 and discussed the recommendation regarding amending Ordinance Code 110-202(b), which addresses the service fee for returned checks. Mr. Belton said that he would pursue this and would be contacting the council auditor's office. An e-mail was sent to Kirk Sherman on March 30, 2012 documenting this meeting. The Tax Collector's Office has no further ability to pursue this issue.*



**Finance Department Response to the Follow-Up of Finding 1-3**

Agree                       Disagree                       Partially Agree

*The Finance department will pursue an OGC opinion and subsequent legislation to update Municipal Code Section 110.202(b) to align City returned check fees with the allowable fees per Florida State Statute 832.062(4)(a) and current Tax Collector policy.*

- B. Internal Control Weakness 1-4 stated the imprest system (financial system used to account for returned checks) in place lacked the inherent controls needed to safeguard funds. The Information Technology Division (ITD) had been working on the development of a new system (identified as the Returned Item System – RIS) that would address the control concerns; however, it was suspended. Our follow-up testing indicates that the project is back in production, but not yet functional.

**Tax Collector’s Second Response to the Follow-Up of Internal Control Weakness 1-4**

Agree                       Disagree                       Partially Agree

*ITD has told us this is still in development and testing. This finding would be best addressed directly to ITD in the future.*

- C. Internal Control Weakness 3-6 revealed that due to a computer interface flaw, the possibility of duplicate payments for on-line parking transactions existed. The Tax Collector’s Office indicated that they rely on ITD to update and maintain their systems. Our follow-up testing revealed that ITD appears to be pursuing a fix to this issue; however, it has not yet been resolved.

**Tax Collector’s Second Response to the Follow-Up of Internal Control Weakness 3-6**

Agree                       Disagree                       Partially Agree

*We have notified ITD of this, but this issue has not been resolved. We have addressed these concerns with the business analyst that is developing the specifications for a new Parking Transaction system. At this point the Tax Collector has no further ability to get ITD to resolve this problem. This finding would be best addressed to ITD in the future.*

**9. Northwest Jacksonville Economic Development Trust Fund Audit Report #672 (October 2009)**

Our follow-up testing from the Council Auditor’s Follow-up Report #717 revealed that eight out of the 21 findings from the original audit report issued three and a half years ago still remain outstanding. The Housing and Community Development Division of the Neighborhoods Department (formerly the Housing and Neighborhoods Department - HAND) have not complied with the recommendations noted below:

- A. Internal Control Weakness 1-1 in the original audit report stated there is a lack of formal written Standard Operating Procedures (SOPs) related to the Northwest Jacksonville Economic Development Trust Fund (NWJEDF). SOPs had not been developed prior to the previous follow-up, but the Department's response was that the new Division's SOPs were scheduled to be complete and ready for publication by June 30 2012. These SOPs have not been released.

***Housing and Community Development Division's Second Response to the Follow-Up of Internal Control Weakness 1-1***

Agree                       Disagree                       Partially Agree

*The commitment to provide detailed policies and procedures related to the administration of this program was well-intentioned and made in good faith based upon the circumstances that existed at the time the previous response was prepared. Following that response, the new administrative leadership instructed that the NWJEDF be placed on hold for an administrative review and that no further applications be taken until that review had been completed. Following an intensive twelve month review of the structure and administrative policies related to the program, the Department has recommended that the NWJEDF should incorporate a Micro-Loan Program, in addition to its current grant/loan practices. As the Micro-Loan Program is developed and incorporated into the Policies and Procedures currently being developed, that document will also be enhanced to include Policies and Procedures directed toward the administration of the other types of funding contemplated. These Policies and Procedures will strictly define how applications are processed, reviewed and underwritten. It will also outline how awards are recommended by the Advisory Board and how Redevelopment Agreements are structured and ultimately approved by City Council.*

- B. Internal Control Weakness 1-2 stated there is a lack of guidelines that define the criteria for determining whether a loan, grant or combination of the two should be awarded to a particular applicant. The Department's response was that NWJEDF staff may recommend available funding based on the individual project's circumstances. To this date, no guidelines have been implemented.

***Housing and Community Development Division's Second Response to the Follow-Up of Internal Control Weakness 1-2***

Agree                       Disagree                       Partially Agree

*Please see response to Internal Control Weakness 1-1 regarding the development of Policies and Procedures for the NWJEDF under the newly contemplated structure.*

- C. Internal Control Weakness 1-4 stated HAND should adopt a SOP to implement the underwriter's recommendation for funding terms, and if any departures from the underwriter's recommendations are made, project files should include documentation as to why the departures are deemed necessary. HAND agreed with our recommendation to include adequate documentation in the project files when there are deviations from the underwriter's recommendation. Our testing of the one application since our last follow-up

revealed no deviation from the underwriter's recommendation; however, an SOP has not been developed to account for this procedure.

***Housing and Community Development Division's Second Response to the Follow-Up of Internal Control Weakness 1-4***

Agree                   Disagree                   Partially Agree

*Please see response to Internal Control Weakness 1-1 regarding the development of Policies and Procedures for the NWJEDF under the newly contemplated structure.*

- D. Internal Control Weakness 1-5 stated that a policy be implemented that fund recipients must receive checks through the standard means, including US Mail service and electronic payments. HAND agreed with our recommendation and would include the requirement in the developed SOPs. Our follow-up testing revealed that the SOPS had not been developed; however, all payments out of the NWJEDF for fiscal year 2011/12 appear to have been made via ACH.

***Housing and Community Development Division's Second Response to the Follow-Up of Internal Control Weakness 1-5***

Agree                   Disagree                   Partially Agree

*Please see response to Internal Control Weakness 1-1 regarding the development of Policies and Procedures for the NWJEDF under the newly contemplated structure.*

- E. Finding 1-4 recommended HAND include delinquent tangible property taxes as a component of future annual reports. HAND agreed with the recommendation; however, an annual report has not been issued since the agreement by the Department to include delinquent tangible property taxes. (The August 2011 report had already been submitted at the time of the Department's agreement.) This item will remain outstanding.

***Housing and Community Development Division's Second Response to the Follow-Up of Finding 1-4***

Agree                   Disagree                   Partially Agree

*Delinquent tangible property tax information will be included in all future annual reports.*

- F. Finding 1-5 recommended recipients of funding be required to submit detailed documentation such as payroll records to verify job creation. The Department responded that they believed the level of monitoring they were currently performing utilizing Florida form UCT6 was sufficient. Follow-up Report #717 indicated that the UCT6 form alone is insufficient documentation because it could possibly overstate the number of people employed. For example, if a company were to hire and fire three people for one particular job in the first quarter of the year, the UCT6 Quarterly Report would show that this company employed three people in the quarter. In contrast, actual payroll records

will show the number of people employed past and present, and for what length of time. Actual payroll records would reveal that the three employees were not employed at the same time. Our follow-up testing revealed that the Division is still utilizing the UCT6 forms as previously indicated and is not reviewing detailed payroll records as recommended.

***Housing and Community Development Division's Second Response to the Follow-Up of Finding 1-5***

Agree                   Disagree                   Partially Agree

*The Department has implemented revised procedures which include the verification of UCT6 and detailed payroll records on an annual basis.*

G. Internal Control Weakness 2-1 recommended HAND comply with all aspects of the City's Standard Operating Procedures on Cash Receipts (SOPs) to ensure that adequate internal controls are in place to safeguard all revenue collections. Due to the recent elimination of ASD, the Housing and Community Development Division has implemented transitional procedures whereby cash receipts are processed by a combination of Division and Department staff that do not correct the internal control weaknesses identified in the original report. We will include this review in a future follow-up.

***Housing and Community Development Division's Second Response to the Follow-Up of Internal Control Weakness 2-1***

Agree                   Disagree                   Partially Agree

*Please see response to Internal Control Weakness 1-1 regarding the development of Policies and Procedures for the NWJEDF under the newly contemplated structure.*

H. Finding 2-2 recommended late fees be applied consistently. The Department responded that newly created SOPs would have well defined circumstances outlined for the forgiveness of late fees. Our follow-up testing of a judgmentally selected sample revealed that late fees are now being applied consistently; however, the SOPs referenced by the Department have not been developed to outline the circumstances for the forgiveness of late fees.

***Housing and Community Development Division's Second Response to the Follow-Up of Finding 2-2***

Agree                   Disagree                   Partially Agree

*Please see response to Internal Control Weakness 1-1 regarding the development of Policies and Procedures for the NWJEDF under the newly contemplated structure.*

**10. Treasury Division Check Pick-Up Audit Report #671 (September 2009)**

Our follow-up testing from the Council Auditor’s Follow-up Report #717 revealed that the Treasury Division has not complied with the remaining outstanding audit recommendations, as noted below:

- A. Finding 1-1 in the original audit report stated that Accounting should specify the person or persons authorized to pick-up a check on the write-up list and Treasury should enforce a rule or policy to require that only the person(s) on the write-up lists can pick up the check. It also stated all portions of the check log should be completed before the check is released. The log includes the date, check number(s), department/company, employee identification number, name and signature, and initial of Treasury employee acknowledging the pickup. In our judgmentally selected sample, we found check pick-up logs are not being utilized in the most effective manner. Follow-up testing revealed that the information logged for 14 (or 4.58%) of 306 total pick-ups of the sample tested was incomplete.

***Treasury Division’s Second Response to the Follow-Up of Finding1-1***

Agree                       Disagree                       Partially Agree

*Treasury has amended the Check Pick up policy to provide a common database of Department/Division personnel authorized to pick up checks. The Accounting Division will check this database for authorization prior to placing the name on the write-up list based upon a Department/Division's request. Periodic reviews of the check logs are being performed and documented to note any missing information. The results are reviewed with the appropriate personnel for corrective action going forward.*

- B. Finding 1-3 stated that the Division’s policy should be followed requiring approval by the Treasurer for checks that are picked-up by someone not authorized by the write-up list. The finding also recommended retaining documentation confirming the authorization for individuals to pick up checks. Our follow-up testing of a judgmentally selected sample revealed that from the 40 check pick-ups examined, 10 (or 25%) of the pick-ups were done by an individual that was not noted on the write-up list. In other words, the person who picked-up the checks did not match the name on the write-up list. Therefore, it appears checks have been picked-up by unauthorized individuals.

***Treasury Division’s Second Response to the Follow-Up of Finding1-3***

Agree                       Disagree                       Partially Agree

*Some Departments/Divisions have more than one authorized individual for check pick-up. An authorized individual other than the person who initiated the request may come to pick it up; provided they are on the Division/Department approved list. Treasury's check pick-up policy has now been amended to clarify that Departments/Divisions must supply Accounting Systems with a completed "Authorized Signature for Department Expenditure" form indicating which individuals in the Department/Division are authorized to pick up checks from Treasury. The*

*Accounting Division will check this database for authorization prior to placing the name on the write-up list and Treasury will verify that the person picking up the check is on the Division's/Department's authorized list. This will help reduce the risk of checks being released to non-authorized personnel while also improving customer service as the check will not be waiting to be picked up by a non-authorized person which we then have to turn away. Periodic reviews of the check logs and GAD write-up are being performed and documented to note any unmatched names of personnel picking up checks. The results are reviewed with the appropriate personnel for corrective action going forward.*

- C. Internal Control Weakness 1-3 stated the full name of people authorized to pick-up checks should be included on the write-up reports. Including the full name within the write-up list is a preventative measure to ensure that checks are only released to authorized individuals. Our follow-up testing of a judgmentally selected sample revealed 11 (or 27.5%) of the 40 check pick-ups examined lacked any name within the write-up log. In four of those instances, "ASD Staff Member" was substituted for the individual's name. In the remaining seven instances, no name or division was noted at all. It appears that Treasury is not making a meaningful effort to implement our recommendation.

***Treasury Division's Second Response to the Follow-Up of Internal Control Weakness 1-3***

Agree                       Disagree                       Partially Agree

*Individual names are being included on the write-up per Treasury's amended Check Pick-up policy. Only those individuals that have been authorized to pick up checks by their respective Department Head/Division Chief are named on the GAD write-up.*

**11. Public Buildings Division Audit Report #664 (June 2009)**

Our follow-up testing from the Council Auditor's Follow-up Report #717 revealed that the Public Buildings Division of the Public Works Department has complied with a majority of the Council Auditor's recommendations, with the following exceptions:

- A. Internal Control Weakness 3-3 in the original audit report stated there was an inadequate segregation of duties in Public Buildings' inventory management of its operating supplies in that both Supply Supervisors had the ability to add new inventory to Maximo (asset management software), delete inventory from Maximo and had physical access to the inventory. Our follow-up work revealed that there are no longer two Supply Supervisors; however, the lone Supply Supervisor and the Stock Clerk both have the abilities mentioned above. The lack of a segregation of duties still exists. Public Buildings needs to address this serious control weakness.

**Public Buildings Division's Second Response to the Follow-Up of Internal Control Weakness 3-3**

Agree                       Disagree                       Partially Agree

*A contributing factor in this situation is that the supply functions of Public Buildings and Parks and Recreation are cohabitating the same physical and Maximo environments. Work continues to separate the two entities; Parks and Recreation is getting its own warehouse space as well as its own "silo" within Maximo. We believe once this separation is completed, appropriate process controls may be established individually by Public Buildings and Parks and Recreation. Also, while separation of duties is clearly important for the integrity of the process, it should be noted that all activity within Maximo is recorded by user. The fact that the two individuals were able to both enter and delete inventory from Maximo does not mean that they were ever able to covertly carry out these functions. Records of their actions, along with employee numbers, are documented and may be easily obtained.*

- B. Opportunity for Improvement 2 stated that the City should consider promoting recycling activities by providing recycling receptacles for aluminum cans and plastic and recycling office wastepaper to work towards the statewide recycling goals outlined in the Florida Statutes. The Public Buildings Division has obtained a contract for the recycling of office wastepaper, but has decided to not pursue the promotion of recycling of aluminum cans and plastic bottles due to the belief that it is not cost effective.

**Public Buildings Division's Second Response to the Follow-Up of Opportunity for Improvement 2**

Agree                       Disagree                       Partially Agree

*Nicholas Zelaya, formerly with Environmental Quality, recently joined Public Works. He is familiar with the history of this issue with Public Buildings, and he will lead the effort to re-evaluate the opportunity for expansion of the recycling program.*

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**Outstanding Items from Follow-Up Audit Report #687 dated September 30, 2010 and Follow-Up Audit Report #717 dated July 3, 2012**

**12. Procurement – Sole Source/Proprietary Purchases Audit Report #647 (May 2008)**

Based on the responses received from the Procurement Department and our follow-up testing, it appears that the Procurement Department has not complied with our audit recommendations noted below:

- A. Finding 1 stated the distinction between a sole source and proprietary purchase as defined in the Administrative Code was not clear. Procurement initially stated and has continued to state that this would be addressed in the next revision of Chapter 126 within the Municipal Code. At this point in time, no revision has been made.

***Procurement Division's Third Response to the Follow-Up of Finding 1***

Agree                       Disagree                       Partially Agree

*Chapter 126 does make a distinction between Sole Source and Proprietary under 126.206 and 126.312. It is the desire that when a comprehensive rewrite is made of the Procurement Code we will adopt the "Single Source" method. Since the Administrative Code that describes our procedures for the current code has not been updated since 2007, revising and updating this document has taken precedence of the more lengthy process of revising the Procurement Code. The updated Administrative Code should be released this month and we will shortly begin Procurement Code revisions that will include the "Single Source" method shortly thereafter.*

- B. Finding 2 stated the advertise date, which is the first day of advertisement on Procurement's website, and/or the open date, which is the last day of advertisement, were not input into the database for a number of the formal purchases. Procurement previously stated a new web-based Procurement tracking system was to be launched that would satisfy the technical requirements of the finding; however, the system is still in the testing phase and not ready for production.

***Procurement Division's Third Response to the Follow-Up of Finding 2***

Agree                       Disagree                       Partially Agree

*The system that was in development does not fully meet our needs and this is being addressed with ITD. However, Procurement is still practicing updating the dates within our current bid tracking system to ensure the seven day posting requirement is met. This is verified before every award.*

- C. Finding 3 stated that formal purchases were awarded before the open date, which is the last day of advertisement on the Procurement Division's website. Procurement stated that this was an item that would be a top priority in the next revision of Chapter 126. As stated above, no revision has been made.

***Procurement Division's Third Response to the Follow-Up of Finding 3***

Agree                       Disagree                       Partially Agree

*This item no longer needs to be modified in Chapter 126. All Sole Source and Proprietary Awards whether formal or informal are posted for seven days. No award is made without completion of this requirement.*



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While we would like to thank the various departments and agencies for their cooperation in conducting this follow-up review of previously issued reports, there are considerably more open items in this report and follow-up report number 717 issued last July than in prior reports. We are disappointed in this trend and will be taking further review steps before the City Council to reinforce the need for action.

Sincerely,

Kirk A. Sherman, CPA  
Council Auditor