



**Council Auditor's Office**

**Follow-up Report on the Audit of JTA Accounts Payable**

**Report #749A**

**Released on: May 24, 2017**

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



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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 past report #749, Jacksonville Transportation Authority's (JTA) Accounts Payable Audit, 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.

We sent a follow-up letter to the JTA's CFO inquiring as to the status of the 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 on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in JTA's responses. The following is a brief summary of the results of our follow-up inquiry and testing.

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

**Opportunity for Improvement 1 \*Pooled Cash Accounting\***

During the audit, we found that the processes for bank operations were convoluted due to the lack of a pooled cash method. JTA maintained individual bank accounts for each operating area. Due to normal cash flows of JTA operations, this created a situation where several large cash transfers needed to occur between accounts to maintain ample operating cash in each account to pay expenditures. The use of one physical bank account shared by multiple areas eliminates the need for these transfers from a cash management perspective, while also increasing efficiency and reducing risks associated with the transfers. Specifically, the use of a pooled cash accounting method greatly reduces the need to use "due to/due from" accounts, requires fewer bank reconciliations to be performed, and eliminates the need for bank transfers in order to move money between operations within JTA. It is our understanding now that their new financial system is in place, JTA will work to implement this recommendation during calendar year 2017.

## **JTA Response to the Follow-Up of Opportunity for Improvement 1**

Agree

Disagree

Partially Agree

*One opportunity for improvement was noted during the AP Audit related to pooled cash accounting. JTA and the Council Auditors Office agreed that the change to pooled cash should not happen immediately. As such, JTA immediately implemented corrective action plans to address all findings and internal control weaknesses first. Recently during FY17, the Council Auditors Office performed a follow-up and JTA has successfully addressed the findings and internal control weaknesses.*

*JTA has taken a phased approach for the pooled cash recommendation and is focused on Phase 2. This phase includes completing a thorough evaluation of all treasury services managed with banking institutions to determine which services are the most appropriate to maintain and identify those services that should be eliminated for efficiency. JTA has to ensure there aren't violations to any statutes, fund accounting or other covenant or stakeholder rules. An additional item of consideration during this phase is a comprehensive review of the interlocal agreements with the City which became effective during FY17.*

*The next phase includes developing the project plan to make the required system configuration changes for pooled cash, including establishing a "go live" date. This phase includes integration testing with Oracle and treasury service changes made by our banking partners. The final step during this phase will include extensive parallel testing to ensure a seamless transition in cash processing, reconciliations and related cash management reporting. The Authority is on track to have testing completed prior to publishing the audited FY17 financial statements.*

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We would like to thank JTA for their cooperation in conducting this follow-up review.

Sincerely,

Kyle S. Billy, CPA  
Council Auditor