



Animal Care and Protective Services Audit - #781

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Animal Care and Protective Services (ACPS) Division. We initiated work in this area due to delays in the processing of credit card receipts that were brought to our attention. Due to the abrupt resignation of the employee in charge of processing deposits the day after our surprise cash count and other information we had gathered, we determined that an audit of the financial activity of the ACPS Division was needed.

What CAO Recommends

We recommend that ACPS attempt to locate and deposit any revenues that are presently not deposited and determine whether any legal and/or disciplinary action is warranted against any current or former employees who were responsible for handling the collection and/or deposit of funds.

Also, controls surrounding cash collections and deposits need to be enhanced and brought into compliance with City policy, including the timely deposit of collections. Also, formal policies and procedures need to be implemented surrounding the Divisions cash collection activities.

Purchases need to be done in a manner consistent with the intent of the City Procurement Code. Change orders should be approved by appropriate personnel so that the essence of the code is followed and payments need to be processed in a timely manner.

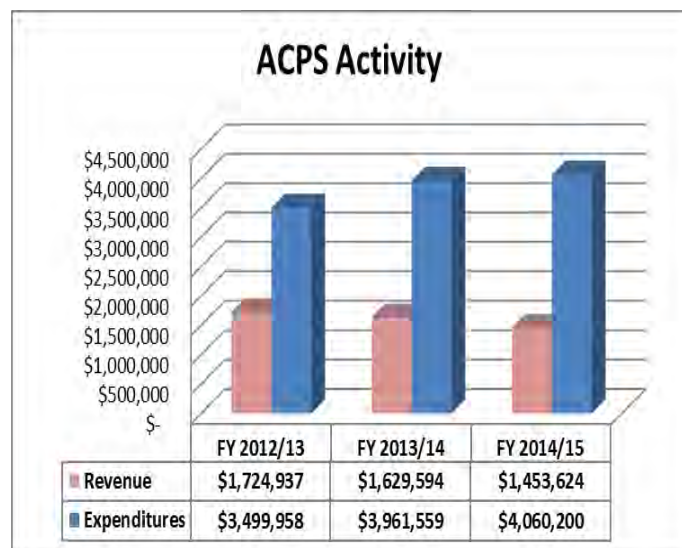
What CAO Found

Objective 1

Based on testing performed, it appears that most revenue collected by Animal Care and Protective Services was not deposited in a timely manner and a significant amount of revenue collected was not deposited with the Tax Collector and is unaccounted for. Also, there were significant issues with the internal control structure related to revenue collections.

Objective 2

Based on testing performed, it appears payments issued by Animal Care and Protective Services were materially accurate in amount and properly supported. However, we did find significant issues with authorization of payments that did not go through the normal procurement process, authorization issues for payments that required change orders and a lack of timeliness in the processing of payments.





Council Auditor's Office

Audit of Animal Care and Protective Services Division - 2015

January 7, 2016

Report #781

Released on: July 25, 2016

EXECUTIVE SUMMARY

AUDIT REPORT #781

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



January 7, 2016

Report #781

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Animal Care and Protective Services (ACPS) Division.

We commenced an audit of this division due to delays in the processing of credit card receipts that were brought to our attention. The issue involved customer credit cards being charged for legitimate transactions and the revenue being deposited with the Tax Collector, but the Tax Collector not being able to transfer the funds to the City and credit the proper accounts because a cash receipt was not being completed by ACPS. Based on the information provided to us and research we conducted independently, we determined that a surprise cash count was warranted. The day after the surprise cash count, the employee in charge of processing deposits left City employment. Because of the abrupt departure of the City employee and other information we had gathered on deposits, as well as payments to vendors, we determined that an audit of the financial activity of the ACPS Division was needed.

ACPS is charged with enforcing the animal control laws of the City. The functions of the office also include, but are not limited to, sheltering animals, processing adoptions, and issuing animal licenses. In fiscal year 2014/15, ACPS's actual expenditures were \$4,060,200 which included funding for 45 full-time positions. These expenses were offset by \$1,453,624 in revenue, mainly attributable to license revenues.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether all revenue collected by Animal Care and Protective Services was properly and timely deposited with the Tax Collector's Office.
2. To determine whether payments issued by Animal Care and Protective Services were accurate in amount, properly supported, authorized, and processed in a timely manner.

STATEMENT OF SCOPE AND METHODOLOGY

Objective 1:

The scope of our testing on revenue collections was August 31, 2013 through April 13, 2015. This audit scope was selected so we could include all collections up to the point in time we started field work back to one month prior to when we thought the last change in the individual responsible for deposits occurred. It included all revenues directly received by the Division and excluded revenue that was directly paid by citizens to the Tax Collector for fines and citations. We obtained detail of revenue collections per the ACPS cash receipts system for that period. We compared this information to deposit packets maintained by ACPS for the entire period. The detail information included cash receipts for various areas of ACPS, such as license revenue mailed in from veterinarians and shelter revenue received for adoptions onsite.

Separately we obtained deposit detail from the Tax Collector's Office and the City's Financial System to compare to the collections for a period that extended past the collection time frame. This extended period enabled us to account for deposit delays.

Lastly we performed analytical testing to assist in identifying any other issues that may not have been tested or that stood out as anomalies.

Objective 2:

We obtained from the City Accounting System all payment transactions of the ACPS Division for the period September 1, 2013 through August 31, 2015. Then, we selected a sample of payments and performed the following review:

- 1) To test for accuracy, we performed a 3-way matching, by comparing the purchase information on the purchase order, the receipt, and invoice on file.
- 2) We reviewed all documentation on file to verify if each payment was properly supported and to determine the legitimacy of the transaction. We looked for invoices, receipts, purchase orders, contracts, awards, check request forms, etc. as applicable.
- 3) To test for proper authorization, we determined who signed the purchase order, requisition, contract, grant award, and/or check request form. Then, we judgmentally determined if the purchase order and the payment were properly authorized based on the employees that were involved and who authorized the transactions.
- 4) We also verified that the ACPS Division obtained an approved requisition and a purchase order before purchasing products and services from vendors by comparing the receipt (delivery) date against the date the requisition and purchase order were authorized.
- 5) We determined the timeliness of each payment by comparing the check date to the invoice date and/or delivery date (date goods were received or services were provided) as applicable.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the

design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following areas, as such they should be considered for future audit work:

- How licenses are disseminated to veterinarians and how the revenue is collected back by the City. This was limited in this audit due to a lack of controls in the area which resulted in there being no audit trail and very little reliable information to test against for collection completeness.
- How revenues are collected at offsite events and research into alternative methods of payment collections that may enhance the control structures at these events over the current requirement for cash only transactions.
- Compliance with Payment Card Industry (PCI) security requirements by ACPS and the City as a whole.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from Kimberly Scott (Neighborhoods Department Interim Director/Operations), via Marlene Russell, Director Organizational Effectiveness, in a memorandum dated July 15, 2016.

AUDIT CONCLUSIONS

By Objective:

1. Based on testing performed, it appears that most revenue collected by Animal Care and Protective Services was not deposited in a timely manner and a significant amount of revenue collected was not deposited with the Tax Collector and is unaccounted for.
2. Based on testing performed, it appears payments issued by Animal Care and Protective Services were materially accurate in amount and properly supported. However, we did find significant issues with authorization of payments that did not go through the normal procurement process, authorization issues for payments that required change orders and a lack of timeliness in the processing of payments.

AUDIT OBJECTIVE #1

To determine whether all revenue collected by Animal Care and Protective Services was properly and timely deposited with the Tax Collector's Office.

Finding 1 – 1 *Revenue Not Deposited with Tax Collector*

Based on the detail testing performed, we found evidence of receipts totaling \$23,757 from August 31, 2013 through April 13, 2015 which were not deposited with the Tax Collector. Per the ACPS revenue collection system \$19,998 was cash, \$3,569 was checks and \$190 was credit. Revenues that were not deposited with the Tax Collector occurred in the following ways:

1. No cash receipts were prepared for 30 of 888 (or 3.38%) daily reports tested for each of the areas within ACPS that receive revenue. These reports indicated that revenue totaling \$17,485 (\$14,126 cash, \$3,169 checks, and \$190 credits) was collected.
2. A cash receipt was prepared, but no funds were deposited for 16 of the 888 (or 1.80%) daily reports tested for each area. These reports indicated collections of \$3,483 (\$3,103 cash and \$380 checks).
3. Partial cash receipts were prepared and deposited for 16 of the 888 (or 1.80%) daily reports tested for each area. The support indicated collection of an additional \$2,789 (\$2,769 cash and \$20 checks) that was not deposited.

We believe the \$190 credit issue in bullet #1 above was the result of credit card machine issues during a period which may have prevented the customer from being properly charged; therefore, it may have just not been collected. Additionally, \$40 of checks from item #1 were found in the office of the employee and included in Finding 1-2 below. However, we were not able to locate any of the cash or remaining checks which combined totaled \$23,527.

Additionally, there was \$8,055 in credit card revenue received by the Tax Collector's Office that did not have a corresponding cash receipt prepared by the ACPS to direct the Tax Collector as to where to credit the funds in the City's accounting system at the time of our field work; however, all of these funds have now had cash receipts created to direct the Tax Collector as to where funds should be credited.

Recommendation to Finding 1 – 1

We recommend that ACPS establish a system for the collection and deposit of revenues in accordance with City cash handling policy to ensure that 100% of revenues collected are deposited with the Tax Collector in a timely manner. We also recommend that ACPS attempt to locate and deposit any revenues that are presently not deposited and determine whether any legal and/or disciplinary action is warranted against any current or former employees who were responsible for handling the collection and/or deposit of funds.

Auditee Response to Finding 1 – 1

Agree Disagree Partially Agree

Animal Care and Protective Division (ACPS) has implemented and updated several systems and processes to strengthen its operations.

The division has a clear system for collecting and depositing all revenue, in accordance with the City's cash receipt procedure:

- 1. ACPS created a standard operating procedure with simple guidelines to assist staff with daily cash receipt operations; the division will continue to monitor related processes and update the SOP as changes occur.*
- 2. As the division receives revenue, either from cash register sales or via mail, new cash handling procedures are in place and have been tested to secure all revenue. Staff processes receipts, and a division supervisor or manager verifies the information.*
- 3. During the time of the audit and vacancy of the prior Administrative Assistant the department's Finance Manager reviewed City cash receipts procedures to train ACPS and other department divisions' administrative and supervisory staff with proper handling of all revenue. Another experienced Administrative Assistant, knowledgeable of the City's procurement procedures, assisted the former ACPS Chief and supervisor with various procurement matters, which include procedural training in: requesting vendor quotes; creating purchase requisitions; receiving goods and services; completing receipts for payments, and; requesting check requests for vendor payment and understanding the purposes of informal and formal purchases.*
- 4. To address the Administrative Assistant vacancy, the former Division Chief developed a Position Questionnaire (PQ) to establish the duties and responsibilities needed to assist the Chief with managing the division's operations. Initially, the former Division Chief reclassified the Administrative Assistant position to initially add duties related to divisional database support and reporting; job specifications now ensure the employee performs key administrative support duties. Following reclassification, the revised job title is Administrative Coordinator.*
- 5. In November 2015, the department's Finance Manager trained ACPS employees responsible for revenue collection on the city's cash-handling policy and collection/deposit of funds, in accordance with same. Failure to adhere to these policies has resulted in unaccounted revenue. As a result, the ACPS department recommends a full review and supports legal action against any former employee(s) determined to be responsible for the missing funds.*

Finding 1 – 2 *Checks Found in Office of Former Employee*

After the City employee who was in charge of processing deposits left employment, we found numerous checks and money orders that were at least two months old within the former employee’s office that had not been deposited. City cash handling policy requires revenues to be deposited on a daily basis. Specifically, we found \$20,971.74 in checks and money orders dated from February 5, 2015 and prior that were not deposited. Of the \$20,971.74, all but \$40 is in addition to the amounts noted missing in Finding 1-1. The end result was that the checks that were eventually deposited did contribute to the timeliness issue noted in Finding 1-3. This resulted in a temporary loss of revenue to both the ACPS Division and the City general fund and facilitates an environment where funds may be lost or stolen.

Recommendation to Finding 1 – 2

We recommend that ACPS establish a system for the collection and deposit of revenues in accordance with City cash handling policy to ensure that 100% of revenues collected are deposited with the Tax Collector in a timely manner.

Auditee Response to Finding 1 – 2

Agree Disagree Partially Agree

Each day, the Administrative Coordinator records and date-stamps all cash receipts for subsequent processing and deposit by a Veterinary Assistant at the Office of the Tax Collector. Also, the Administrative Coordinator reviews all cash register receipts tallied by Veterinary Assistants. The division performs this and related work, in accordance with the city’s cash receipt policy.

Finding 1 – 3 *Deposit Timeliness Issues*

There were significant delays in the deposit of revenues collected. Based on the testing performed, 773 out of 867 (or 89.16%) deposit forms prepared by ACPS were not deposited at the Tax Collector’s Office within the length of time required by City policy. City cash handling policy requires revenues to be deposited on a daily basis. The average length of time between the collection and deposit of revenues for the period reviewed was 11.28 calendar days. The delays result in a temporary loss of revenue to both the ACPS Division and the City’s general fund. Additionally, the erratic timing of deposits facilitates an environment where funds may be lost or stolen.

Recommendation to Finding 1 – 3

We recommend that ACPS establish a system for the collection and deposit of revenues in accordance with City cash handling policy to ensure that 100% of revenues collected are deposited with the Tax Collector in a timely manner.

Auditee Response to Finding 1 – 3

Agree

Disagree

Partially Agree

ACPS Division has clearly delineated staff duties and roles in accordance with the City's policies. ACPS has trained staff to the city's cash-receipt policy and the requirements of daily cash counts for deposit. Funds received during off-site events are counted, verified and secured in a safe, and placed in a secured room at ACPS until the next available business day for deposit with the Tax Collector.

Finding 1 – 4 *Violations of City Cash Handling Policies*

Based on our detail testing, we discovered various issues with the completeness and consistency of supporting documentation that was maintained by ACPS related to revenue collections. Specifically, we noted the following issues with the supporting documentation for ACPS revenues that violated city cash handling policies:

Violation 1

- *City Policy* – Part II.D.1. of the City cash handling policy requires the receipt of money to be documented with a deposit copy of receipt tape or other correspondence.
- *Finding* – 138 of 888 (or 15.54%) daily receipt reports generated in the ACPS cash receipt system were not found in hardcopy form in ACPS' files. These reports served as the deposit copy of the receipt tape given that the cash registers used by ACPS did not track this information or have receipt tape.
- *Impact* – Not having copies of the daily receipt reports with the revenue collection and deposit paperwork makes it difficult for the individuals processing the deposits to confirm that all of the funds collected were turned in for deposit.

Violation 2

- *City Policy* – Part II.E.13. requires that cash counts be performed daily and documented.
- *Finding* – 215 of 888 (or 24.21%) daily report packets generated from the ACPS cash receipt system did not contain a corresponding daily cash count sheet. Exceptions (suspected missing receipts noted in Finding 1-1) in which no cash count support was found totaled \$7,831.
- *Impact* – Incomplete or inconsistent cash count forms compromise accountability, as cash balances at a certain time and location are more difficult to trace. Therefore, if funds go missing, it is more difficult to determine at what point they went missing.

Violation 3

- *City Policy* – Part III.A.7.b. states that the cash count sheet must be signed by both the counter and a verifier.
- *Finding* – Of the cash count sheets that were found, many of them were incomplete and/or not signed by both a counter and verifier.
- *Impact* – Lack of signatures makes it difficult to determine who was responsible for cash at a certain time and location.

Violation 4

- *City Policy* – Part III.C.14. requires record of Tax Collector cash receipts validation be filed for future use.
- *Finding* – 196 of 837 (23.41%) daily report packets generated from the ACPS cash receipt system in which a deposit was fully processed did not contain a validation slip from the Tax Collector. We were able to confirm all of these 837 deposits were received by the Tax Collector. The discrepancy between the 888 daily collections noted above in Violations 1 and 2 and the 837 processed deposits noted within this violation is that we found many examples where a deposit was initiated, but was not completed, and other instances where no deposit was initiated.
- *Impact* – The validation slip is filed to prove that the funds were actually received by the Tax Collector. Without it, there is no proof included within the deposit packet that the deposit was completed, which can facilitate an environment where funds are more likely to be lost or stolen.

Recommendation to Finding 1 – 4

We recommend that ACPS follow City cash handling policy in developing a uniform system for the maintenance of revenue related documentation, which includes daily cash count reports. We also recommend that the department document the review of all deposits by the preparer's supervisor prior to deposit.

Auditee Response to Finding 1 – 4

Agree Disagree Partially Agree

The ACPS division's Administrative Coordinator and Veterinary Assistants will maintain in a central file copies of all revenue related documentation which includes the daily cash report, cash register/credit receipts, and check copies of all funds to be deposited. A Supervisor or the Shelter Manager will document the review of all deposits prepared by the Administrative Coordinator or Veterinary Assistants for accuracy and accountability before the actual deposit is made. The department's Finance Manager has been identified to serve as an alternate document reviewer prior to deposits in the absence of the Supervisor or Shelter Manager.

Internal Control Weakness 1 – 1 *Cash Handling Issues*

We observed various cash handling issues in regards to revenues collected by ACPS. Different from the findings noted above, for the below items, no internal control structure appeared to exist at ACPS.

Violation 1

- *City Policy* – Part II.E.4. of the City's Cash Receipts SOP states that only one individual should be assigned to a cash register at a time.
- *Observation* – During our walkthrough of the adoption and intake areas at ACPS headquarters, we observed that both areas each only had one cash register, although 2-3 cashiers were observed working in each area at the same time. We were informed that

there was only one password (access code) for each register that was known by all cashiers and that all employees shared access to the registers. It is important to note that the cash registers at ACPS operate as lock boxes during the day since the collection detail is entered into a separate system that tracks collections by employees.

- *Impact* – Allowing cash registers and passwords to be shared compromises transparency and accountability as it makes it nearly impossible to determine who was accessing the register at a certain period of time. This makes it more difficult to determine the responsible party if theft or errors are discovered since anyone could take the funds even if they were not responsible for collection.

Violation 2

- *City Policy* – Part II.E.2.B. of the City’s Cash Receipts SOP states that city cash registers will provide printed receipts of each transaction for the customer’s examination.
- *Observation* – We observed that when ACPS holds an offsite event (such as a Mega Adoption), manual receipts are issued only in instances where one is requested.
- *Impact* – Not providing a printed receipt to all customers prevents customers from reviewing the accuracy of their transaction and may create an issue if a transaction is disputed and creates a situation where funds can be more easily taken without detection.

Violation 3

- *General Good Business Practice* – Proper cash handling controls dictate that a chain of custody of revenues should be documented for accountability purposes.
- *Observation* – When the intake area closes for the day, the daily revenues collected were brought to the front (adoptions) area. However, when this transfer occurred, there was no sign-off documenting the transfer of custody.
- *Impact* – Not maintaining a chain of custody of revenues makes it nearly impossible to determine who was in possession of them at a specific point in time. This compromises accountability in the event that funds are lost.

Violation 4

- *City Policy* – Parts III.A.11. and III.C.16. of the City’s Cash Receipts SOP requires all cash registered sale revenues to be reconciled to the City’s accounting system on a monthly basis.
- *Observation* – When speaking with the individual in charge of preparing CRs, we were told that no one reconciled deposits to FAMIS (City General Ledger system). In fact we were informed there were only “spot checks” to verify CRs were posted. Based on supporting documentation we reviewed, there was no monthly reconciliation of receipts per the system to validate deposits by any employee.
- *Impact* – Not reconciling revenues to the city’s accounting system on a consistent basis means that any discrepancies between what was collected and what was posted to the accounting system (including missing funds or funds posted to the incorrect account) will most likely go undetected.

Violation 5

- *City Policy* – Part II.B.2. of the City’s Cash Receipts SOP requires checks received via the mail to be received by a person separate from the deposit.
- *Observation* – We observed the checks received via the mail being processed and deposited with the Tax Collector by the same employee while we were on site performing our testing.
- *Impact* – By not segregating these duties, there is an increased risk that missing funds would not be detected.

Violations 6 and 7

- *City Policy* – Part II.A.6. requires all employees who handle cash to annually take one continuous week intermission from duties and allow another employee to perform the cash handling duties. Part II.C.2. requires there to be a back-up for all cash handling duties.
- *Finding* – The employee charged with processing deposits did not take a continuous week away from the duties where another employee performed the responsibilities. This is at least partially attributable to not having a trained back up in place as required.
- *Impact* – This creates an environment where it is easier for an employee to conceal misappropriations or other issues with the revenue collection process.

Recommendation to Internal Control Weakness 1 – 1

We recommend the following actions based on the items noted above:

1. ACPS should acquire additional cash registers so that a cash register is only assigned to one employee at a given time and each individual who is authorized to access the registers be given their own unique password.
2. ACPS should begin printing register receipts for each transaction in which the register is used and a copy of these receipts should be provided to the customer, while another be kept for the department’s records. If this cannot be realized for off-site events, then a receipt should be provided to each customer from an acceptable pre-numbered booklet that would include duplicate copies.
3. ACPS should maintain and track monies in a manner that provides a clean chain of custody.
4. An employee, other than the person in charge of preparing the Tax Collector deposit form and delivering deposits to the Tax Collector, should reconcile ACPS revenues to FAMIS on at least a monthly basis.
5. Checks received via the mail need to be processed and deposited by separate employees.
6. The ACPS Division should ensure that a back-up person is trained on the deposit process so that individuals responsible for handling cash can be rotated to other duties or take a vacation for at least one week annually.

Overall, the ACPS Division needs to make sure it is in compliance with all aspects of the City’s Cash Receipts policies and procedures, which would include having proper segregation of duties.

Auditee Response to Internal Control Weakness 1 – 1

Agree Disagree Partially Agree

ACPS Division commits to:

- 1. Purchase three (3) cash registers – two registers for each front desk employee (Veterinary Assistants) and one register for the intake employee (clerical). Each employee will utilize his/her own unique password to access the assigned cash register.*
- 2. Provide receipts by email when a customer provides an email address. The customer may also choose to receive a printed copy of a receipt, which is generated by a Chameleon report. This does not change for off-site events. Laptops and printers are available at off-site events so paper receipts can be provided.*
- 3. Keep Intake and Adoptions separately. When Intake closes daily activities, the assigned employee completes a daily count report and prints the report from the division's Chameleon database. Assigned staff and a supervisor reviews and verifies the report. Subsequently, the responsible employee places revenue in a dated, sealed envelope and secures same in the safe for deposit at the Tax Collector's Office the next business day.*
- 4. ACPS' Administrative Coordinator will reconcile revenue to Financial Accounting Information System (FAMIS) weekly.*
- 5. The division's Administrative Coordinator will process checks received via mail, and the Veterinary Assistant responsible for creating the cash receipt will deposit same. Creating the receipt and the reconciliation are completed by two different employees, which allows for accountability to make and ensuring the deposits are reconciled to the report.*
- 6. Currently, two (2) employees are trained to process cash receipts and make deposits: the Administrative Coordinator, and one Veterinary Assistant. This assignment to two employees provides segregation of duties, in accordance with city policy. Also, these positions rotate assignments to allow at least one week from their current duties. The Shelter Manager or Division Chief will confirm the rotation of duties.*

Internal Control Weakness 1 – 2 *Access Rights Issues*

There were many users with improper access rights to the information system used by the animal care facility. Best business practice dictates that employees should only be granted the access rights needed to perform their job functions to support a structure with proper segregation of duties.

During our testing, we noted that there were a total of 70 active user accounts created in the ACPS cash receipts system. We found that:

- 1) Three (3) ACPS employees had two user accounts assigned to them.
- 2) Nine (9) active user accounts belonged to former ACPS employees.
- 3) Three (3) active user accounts belonged to people who were not employed by the City.
- 4) Thirty-three (33) active user accounts had excessive access rights. Specifically, these users had the capability of performing cash-related activities within the system even though they did not need such capabilities to perform their respective job functions.

Recommendation to Internal Control Weakness 1 – 2

We recommend that ACPS periodically review the appropriateness of the access rights granted to users of the ACPS cash receipts system and make periodic revisions of such access rights where needed to properly segregate job functions. Also, they need to actively remove/change access rights when employees move to a different job function or leave the office.

Auditee Response to Internal Control Weakness 1 – 2

Agree Disagree Partially Agree

ACPS is implementing the following for stronger access practices:

- 1. The three (3) ACPS employees, who formerly had two user accounts, now have one user account each. All user accounts previously assigned to former employees have been closed.*
- 2. The division is reviewing employees' access rights and will close access for employees not required to perform cash handling-related activities. ACPS will periodically perform a comprehensive review of access rights and ensure update of same, when employees change job functions or leave the division.*

Internal Control Weakness 1 – 3 *Lack of Forced Password Reset*

The ACPS cash receipts system does not force users to change their passwords periodically. Proper system controls indicate that system users must change their credentials periodically to prevent unauthorized access to the system in case their authenticating credentials have been compromised. If passwords are not changed periodically this increases the risk of unauthorized individuals gaining access to the system and making unauthorized changes by using the credentials of employees that have been compromised. Forcing periodic password changes eliminates the risk of the employees forgetting (or choosing not) to change passwords.

Recommendation to Internal Control Weakness 1 – 3

We recommend that the ACPS cash receipts system be properly programmed to force users to change their password periodically.

Auditee Response to Internal Control Weakness 1 – 3

Agree Disagree Partially Agree

ACPS Division consulted with the city's Information Technologies Division, which will create an automatic 90-days forced password change for employees utilizing ACPS' cash receipts system.

Internal Control Weakness 1 – 4 *Predating Transactions*

We found that the ACPS cash receipts system allowed users to enter a receipt date different from the current date. We find this capability to be a control weakness since employees could pre-date new transactions, which would not show up on the closing report at the end of the business day. This function increases the risk that employees could misappropriate collections without detection as the closing reports run at the end of the business day only depict collections dated in the system as received that day.

Recommendation to Internal Control Weakness 1 – 4

We recommend that the capability of entering a transaction with a date different than the current date be removed from the ACPS cash receipts system.

Auditee Response to Internal Control Weakness 1 – 4

Agree Disagree Partially Agree

The developer of the database utilized by ACPS provided software to the division for installation, which will prevent any pre-dating of transactions. The software is installed.

AUDIT OBJECTIVE #2

To determine whether payments issued by Animal Care and Protective Services were accurate in amount, properly supported, authorized, and processed in a timely manner.

Finding 2 – 1 *Various Purchase Authorization Issues*

Based on the testing performed, we found the following authorization issues:

- 1) We found 25 out of 56 payments tested that were processed via check request were not properly authorized. Twenty-two check requests were approved solely by an administrative assistant instead of being approved by the Division Chief or other designated employee and three check requests for petty cash replenishment were approved by only one employee acting as the Division Chief and the petty cash custodian at the same time.
- 2) We found 17 transactions totaling \$87,776 that were comprised of unauthorized purchases. These transactions contained improper purchases where an ACPS employee requested and received services/products from vendors without first obtaining an approved requisition from an appropriate ACPS staff member and an approved purchase order from the Procurement Division.
- 3) We found all nine transactions tested that had a change order request were not authorized by management. The initial requisition and purchase order amount were properly approved by management; however, the total actual purchase amount went over the approved amount, which required the creation of a change order and additional approval from management. No approval from management was obtained for the change orders; instead the purchase

increase was only approved by an ACPS administrative assistant and a buyer from Procurement. These nine transactions related to six purchase orders.

- 4) We found that an employee entered into and signed a contract with a vendor even though the employee had no authority to sign a contract. This contract included minimum order thresholds and early termination charges. The City was invoiced \$4,270 related to early termination.

When there is a lack of management oversight or employees make purchases without management authorization, it increases the risk of misappropriation of City resources.

Recommendation to Finding 2 – 1

Overall, we recommend that the ACPS Division follow the City’s procurement process and that all employees involved in the purchasing process receive the appropriate training. Specifically:

- 1) We recommend that all payments made through check requests be properly authorized by the ACPS Division Chief (or authorized designee).
- 2) We recommend that ACPS put processes in place to prevent employees from placing an order for services or products with a vendor until a requisition has been approved by the ACPS Division Chief (or authorized designee) and a purchase order has been created and authorized by the Procurement Division. Also, ACPS should use blanket orders when appropriate for recurring purchases to prevent situations where rush purchase orders are needed.
- 3) We recommend that all change orders to increase the not to exceed amount require the approval of the same personnel required to approve the initial request.
- 4) All purchases need to follow the City’s informal and formal purchasing laws and rules. These requirements are in place to protect the City.

Auditee Response to Finding 2 – 1

Agree Disagree Partially Agree

ACPS Division will adhere to established procurement procedures by ensuring the following:

1. *ACPS’ Administrative Coordinator obtains authorization from the shelter manager or division chief to prepare a check request, and the department’s Finance Manager will serve as the alternate authorizing party.*
2. *Since the abrupt departure of the former staff member responsible for division procurement activities, the division’s Supervisor of Animal Placement transitioned related duties to the Administrative Coordinator. The Administrative Coordinator received established city procurement procedures training. This training will ensure prevention of placing orders prior to receipt of an approved requisition from the Procurement Division. To improve internal and external service deliveries, ACPS now utilizes blanket orders for recurring purchases. The department’s Finance Manager monitors requisitions to determine if recurring purchases require a blanket purchase order.*
3. *The department’s Finance Manager and another Administrative Assistant (from another division) assists ACPS’ Administrative Coordinator with monitoring all purchase orders*

and blanket P.O.s to ensure adherence to established procurement procedures. Currently, the Administrative Coordinator is authorized to request change orders, and the department's Finance Manager, Shelter Manager, or Division Management Consultant approves change orders before any action occurs at the division level. This oversight improves monitoring of budgeted dollars, fulfills operational needs, and ensures timely payments to vendors.

- 4. To assist with ensuring the division adheres to established procurement procedures, the department's Finance Manager provided internal training and the city's procurement manual to ACPS' management, supervisors, and support staff responsible for performing procurement tasks.*

Finding 2 – 2 *Payment Timeliness Issues*

Based on the review performed, we found 36 out of 123 (or 29%) transactions tested were not processed within 45 days. Per the Florida Prompt Payment Act, Section 218.74 of the Florida Statutes, the payment due date for a local government entity for the purchase of goods or services is 45 days. Per the Accounting Division's Standard Operating Procedures, it is the policy of the City of Jacksonville to pay its vendors 30 days from the date of the vendor's invoice. The timeliness issues we found appear to be the result of information not being submitted to Accounting in a timely manner by the ACPS Division and the fact that some payments did not receive proper authorization prior to ordering, which resulted in delays.

Not paying vendors on time could cause the City to be in violation of State Laws and result in the City incurring unnecessary interest expenses. Also, not paying City's obligations on time may hurt the business relation of the City with key vendors.

Recommendation to Finding 2 – 2

We recommend that ACPS establish a system that enables the timely payment of vendors in accordance with City payment policies and State Law. This will be assisted by getting prior authorization for all purchases.

Auditee Response to Finding 2 – 2

Agree Disagree Partially Agree

Since training of ACPS staff commenced approximately one year ago, employees perform related duties in accordance with the city's procurement and payment policies, thus resulting in timely payments to vendors. Also, the department attributes additional activities, which result in timely payments to vendors, such as obtaining a vendor quote for goods and services prior to creating purchase requisitions, and appropriate processing of formal and informal awards. Once ACPS receives services and/or products, the division's Administrative Coordinator uses established procedures to complete payment processes assigned to the division – either on the same day, or no later than the next business day (providing absence of invoice issues).

Finding 2 – 3 *Duplicate Payments*

Based on the testing performed, we found two duplicate payments processed. One duplicate payment of \$5,865 was subsequently returned by the vendor and the other duplicate payment of \$258 was credited by the vendor to the City account. Therefore, in the end there was no loss of funds; however, the City would have lost these funds if it was not for the honesty and good business practices of the vendors.

Recommendation to Finding 2 – 3

We recommend that the ACPS Division establish and follow proper internal controls to prevent duplicate payments. Employees handling payments should perform a three-way matching (of invoice, purchase order, and receipt/package slip) and mark invoices as paid once they have been processed.

Auditee Response to Finding 2 – 3

Agree Disagree Partially Agree

The department's Finance Manager, trained the ACPS' Administrative Coordinator in processing payments; the coordinator scrutinizes invoices and packing/shipping receipts and matches same with corresponding purchase orders. Additional training will assist with ensuring future duplicate payments do not occur; training includes creating receipts and correctly documenting invoice data in the central JaxPro database. The department's Finance Manager will perform monthly audits of ACPS' payment processes to ensure adherence to established policy.

Finding 2 – 4 *Unused petty cash fund is still open*

We found during our testing that a petty cash fund with a starting balance of \$100 was still open for the Animal Care and Protective Services. The last replenishment of the petty cash was for a check of \$79.06 on 11/9/12; this check was never cashed and it was returned in May of 2014. It appears that the Division may have intended to close the account; however, to date this has not been processed. Having an open and authorized petty cash fund creates an unneeded risk to the City.

Recommendation to Finding 2 – 4

We recommend that the Division initiate the closing of the petty cash account with the Finance Department.

Auditee Response to Finding 2 – 4

Agree Disagree Partially Agree

The department concurs and will close the petty cash account, in accordance with established accounting procedures.

Overall Internal Control Weakness 1 *Lack of Formal Policies and Procedures*

We were informed there were no internal policies and procedures in place at the time we began our work. However, there were some instructional videos that we were shown that did depict how to operate the system utilized for many functions, including cash collections. While effective, these videos were not enough to cover all of the operations of the office and the lack of the written policies and procedures played a major role in fostering the issues noted throughout this report. Good written policies and procedures are a cornerstone of a consistent and effective control structure.

Recommendation to Overall Internal Control Weakness 1

We recommend that written internal policies and procedures be created that address the various operations and functions of the office.

Auditee Response to Overall Internal Control Weakness 1

Agree Disagree Partially Agree

After the audit began approximately one year ago and at the direction of the department's director, numerous on-site and off-site training sessions were held for ACPS employees on the city's cash-handling and procurement policies/procedures. An ACPS supervisor created and trained several staff members, regarding internal procedures for cash receipts; the division, with the guidance of the Finance Manager, will continue to monitor internal cash-handling and procurement processes. Division management will update current standing operating procedures to reflect organizational changes and requirements, in addition to updating responsibilities assigned to employees involved with cash-handling and purchasing activities.

We appreciate the assistance and cooperation we received from the Neighborhoods Department throughout the course of this audit.

Respectfully submitted,

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