



**Council Auditor's Office**

**PFPF Bank Account Audit Follow-up**

**Report #795A**

**Released on: June 3, 2020**

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



June 3, 2020

Report #795A

Honorable Members of the City Council  
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #795, Police and Fire Pension Fund Bank Account Audit, to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent a follow-up letter to the Fund's Executive Director on April 9, 2019 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 to verify the responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

<b>Types of Issues</b>	<b>Original Number of Issues</b>	<b>Issues Cleared</b>	<b>Remaining Issues</b>
Internal Control Weaknesses	3	0	3
Findings	8	5	3
Opportunities for Improvement	0	0	0
<b>Total</b>	<b>11</b>	<b>5</b>	<b>6</b>

The following is a brief summary of the remaining issues with responses from the Police and Fire Pension Fund that we received on April 24, 2020.

**Internal Control Weakness 1-1 \*Fund Employee Creating a Vendor's Invoice\***

During the original audit, we found that the invoices for the doctor that the Fund retains to conduct examinations were being created by Fund personnel. The Fund tracked the number of examinations and prepared the invoice for the doctor and paid based on this self-created invoice. We recommended that the Fund suspend this process immediately and implement new procedures whereby the invoices are received from the medical doctor and then reviewed prior to payment.

During follow-up testing, we requested the most recent invoice for physical examinations. We found that the invoice provided had been created by Fund personnel.

Again, we recommend the Fund not prepare invoices for the physician's office or any other vendor. The fund should require the physician's office to prepare the invoices.

***Police and Fire Pension Fund Response to the Follow-Up of Internal Control Weakness 1-1***

Agree                       Disagree                       Partially Agree

*The physician's office prepares all invoices.*

**Internal Control Weakness 1-2 \*Local Bank Account Checks Only Require One Signature\***

In the original audit, we found the general rule used by the Fund is that payments for professional services are processed through the custodial account and all other transactions (excluding pension payments and staff payroll) are processed by the Fund through their local bank account. We found that while two signatures are required for disbursements from the custodial account, only one signature was required for disbursements from the local bank account. We recommended that the Police and Fire Pension Fund revise its procedures to require two authorizing signatures for all disbursements regardless of amount or bank account that the funds are disbursed from.

During our follow-up review testing, we found that the Fund is generally using two signatures on their local bank account checks. However, there are still no written procedures detailing the two-signature requirement as recommended in our original audit, and it is our understanding that the Police and Fire Pension Fund's policy for the local account will be that it does not require two signatures. We still recommend that two signatures be required and that be written into policy.

***Police and Fire Pension Fund Response to the Follow-Up of Internal Control Weakness 1-2***

Agree                       Disagree                       Partially Agree

*The following has been updated and revised to reflect the corrected aforementioned statement, "That same procedure will be applied to disbursement from the local bank account," as follows:*

*The board adopted a resolution to accept one signature for the local bank on August 12 ,2016 (as attached via these links: <http://www.coj.net/departments/police-fire-pension-fund/board-meetings/8-12-16-trustee-summary.aspx>; and <http://www.coj.net/departments/police-fire-pension-fund/board-meetings/2016-08-1-resolution-for-center-state-bank.aspx>).*

*To enhance the policy, staff has internally requested and obtained at least two signatures on a majority of transactions since the adoption of the resolution. The process verbiage will be included in the Fund's Policies and Procedures, but the board adopted resolution to accept once signature will remain in effect. The appropriate notification/training has been conducted to all relevant staff as this practice will continue as implemented.*

**Finding 1-2 \*Authorized Signors Were Not Always Removed Timely\***

Our original audit found that bank authorization forms were not always updated in a timely manner to reflect changes in staff and board members. We recommended the fund revise the current policy so that authorized signature forms are updated immediately with any change to the Board or its staffing.

In our follow-up testing, we reviewed the authorization forms that were changed after the most recent Board Chair was elected. We discovered that it took the Fund 46 business days to update the authorized signors for the custodial account and 8 business days to update the local account.

We continue to recommend that the fund revise the current policy so that authorized signature forms are updated immediately as recommended in our original audit.

***Police and Fire Pension Fund Response to the Follow-Up of Finding 1-2***

Agree                   Disagree                   Partially Agree

*This process has been implemented and monitored with the changing of staff and board members.*

**Finding 1-4 \*Payments Were Not Made Timely to Vendors\***

In our original audit, we found that payments were not always made timely. In general, the Florida Prompt Payment Act states that payments should be processed within 45 days of receipt. Based on that standard, we found that 37 of 2,449 payments from the local bank account totaling \$91,638.96 were made more than 45 days after the invoice date. We recommended that the Fund train all employees who receive and open the mail to stamp the invoice with a receipt date. We also recommended that the Fund ensures that it is meeting the requirement of the Florida Prompt Payment Act.

During our follow-up testing, we reviewed a limited sample of disbursements and found 2 of 30 (or 6.70%) payments were not in compliance with the Florida Prompt Payment Act as they were paid 70 and 102 days after the invoice date. In addition, we found 12 instances of the 30 tested (40%) in which the invoice was not stamped with the date received. (In those instances, the invoice date was used to test the requirement of the Act).

We continue to recommend that the Fund ensures it is meeting the requirements of the Florida Prompt Payment Act and trains those employees who receive and open the mail to stamp the receipt date on all invoices received.

***Police and Fire Pension Fund Response to the Follow-Up of Finding 1-4***

Agree                   Disagree                   Partially Agree

*The appropriate training has been conducted to staff and systematically documented for the receipt of all mail and invoices, along with payments to meet the requirements of the Florida Prompt Payment Act.*

**Internal Control Weakness 2-1 \*Checks Were Not Restrictively Endorsed Upon Receipt\***

During the original audit, we observed that checks received were not restrictively endorsed immediately upon receipt. Instead, we observed that this was done when the deposit was being prepared by another employee. Another issue that we observed was that while some of the checks are logged upon receipt, the practice is not always occurring. When parking garage revenues were received, they were forwarded to the employee who prepares the deposit slip and that employee noted them on a master spreadsheet as received. This same employee also restrictively endorsed any received checks. We recommended that checks be restrictively endorsed and logged immediately upon receipt and by a person outside of the deposit and reconciliation process, if possible. PFPF responded that they trained their employees to do what we recommended.

During our follow-up testing, we inquired of the Fund’s employees about the current process. We found that the person who receives the mail is not the person who logs and restrictively endorses the checks. We also found that there was no written policy that details the process for receiving checks.

We recommend that the person who receives the mail be the one who logs and restrictively endorses all checks received by the Fund. We also recommend this procedure be included in the Fund’s policies and procedures.

***Police and Fire Pension Fund Response to the Follow-Up of Internal Control Weakness 2-1***

Agree                       Disagree                       Partially Agree

*Employees have been trained to manage the daily mail to date stamp incoming invoices and stamp checks "For Deposit Only" and list checks on a log before turning over to the person responsible for depositing.*

**Finding 2-2 \*Deposits Were Not Being Made in a Timely Manner\***

During the original audit, we found that 385 of 1,733 (or 22.2%) deposits tested which totaled \$613,908 were not deposited in a timely manner using a measurement period of 10 days from the invoice date since items were not being date stamped. We recommended that deposits be made on a more frequent basis and that the Fund should consider utilizing the Tax Collector like other areas of the City.

During our follow-up testing, we reviewed copies of all checks received during April 2019 by the Fund and compared them to the deposit dates per the bank statement. If the check was not properly stamped with the date received, we used the check date. We found that 21 of 22 (or 95.45%) checks received totaling \$31,950.33 were not deposited in a timely manner. In fact, all 21 checks were deposited on the same day in April even though they were received throughout the month.

We recommend that deposits be made on a daily basis. Additionally, the Fund should look into utilizing the Tax Collector to receive deposits.

***Police and Fire Pension Fund Response to the Follow-Up of Finding 2-2***

Agree                   Disagree                   Partially Agree

*Training has been conducted for the appropriate staff of all payments requiring detailed evidence of receipt, including the implemented process to make daily deposits in the local bank for all operational cost and the custodial bank for any investment related deposits.*

*As the new ERP system is implemented, we are open to a discussion with the City Finance Department and the Tax Collector to explore the possibilities and benefits of utilizing this new system.*

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We would like to thank the Police and Fire Pension Fund for their cooperation in conducting this follow-up review.

Sincerely,

*Kyle S. Billy*

Kyle S. Billy, CPA  
Council Auditor