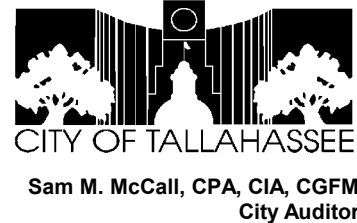


Final Audit Follow Up

As of March 31, 2001



“An Audit of the Disbursement Process”

(Report #9802, Issued March 2, 1999)

Report #0123

June 5, 2001

Summary

This is the final follow up on the Audit of the Disbursement Process (#9802). Management has addressed all findings and completed all action steps. In report #9802, we identified areas where improvements should be made to the disbursement process. Those improvements included: strengthening the internal controls over the disbursement process to prevent duplicate payments, to ensure the integrity of financial reporting, and to ensure contract payments are made in accordance with established procedures. Our follow up showed that the planned action steps and tasks to remedy the identified issues have been completed.

purpose of this final follow up is to report on the progress and/or status of efforts to implement recommended action plan steps. To verify and validate reported progress, we conducted interviews with key department staff and reviewed and examined supporting documentation.

Background

The audit addressed five general processes by which disbursements were made, including:

- purchase order payments
- check requests
- contract payment requests
- travel checks
- fleet payments

Scope, Objectives, and Methodology

Report #9802

The scope of report #9802 included a review of the City's disbursement process. Our primary objectives were to determine whether:

- disbursements made by the City were appropriately authorized,
- goods/services paid for were actually received, and
- an adequate system of internal controls was in place to minimize the risk of loss due to waste, fraud, or abuse.

In general, the audit identified opportunities for improvement in the internal controls over disbursements.

Report #0123

This report is the last follow up that will be performed on report #9802 and closes out that project. The

For those processes, the Accounts Payable Section within Procurement Services created system vouchers after ensuring that all supporting documentation was properly prepared and presented. The vouchers were then converted to an electronic check file, and the electronic check file with the supporting paperwork was then forwarded to the Disbursements Section within the Treasurer-Clerk's Office. Among other things, the Disbursements Section prepared the checks, verified appropriate documentation and approvals, and disbursed the payments to vendors.

Previous Conditions and Current Status

In report #9802, we identified areas where improvements to the City's disbursement process were needed. Prior to this final follow up period, all but four of the recommended action plan steps had been completed. As shown in the following table, Procurement Services has now completed those four action plan steps.

**Table 1
Conditions Identified in Report #9802 and Current Status**

Previous Conditions	Current Status
Strengthen controls to prevent duplicate payments	
<ul style="list-style-type: none"> Establish criteria defining when it is appropriate to use a blanket purchase order and what compensating controls are required. 	<ul style="list-style-type: none"> ✓ Guidelines for the use of blanket purchase orders have been developed.
Improve the process and increase compliance with internal control processes for contract payments	
<ul style="list-style-type: none"> Train all affected employees reviewing purchase order requests and/or invoices to differentiate between a simple purchase and one requiring a contract. Training should include purchasing agents, Accounts Payable, and Disbursements. 	<ul style="list-style-type: none"> ✓ Training has taken place and included a decision logic matrix to assist in the decision of which purchase method to utilize.
<ul style="list-style-type: none"> Establish procedures and a mechanism to research apparent contract payments made as purchase order payments, and correct the method of payment as necessary. 	<ul style="list-style-type: none"> ✓ Interim procedures have been developed and distributed that specify how contract payments should be processed and when purchase orders are required. The procedures will be revised and finalized with the implementation of the PeopleSoft Financials Project.
<ul style="list-style-type: none"> Establish processes to ensure that all contract purchases/payments go through the City's contract processes and procedures. 	<ul style="list-style-type: none"> ✓ Interim contract procedures have been developed and distributed. The procedures will be revised and finalized with the implementation of the PeopleSoft Financials Project.

Table Legend:

- Issue addressed in the original audit
- ✓ Issue addressed and resolved

Significant Outstanding Issues

As this audit follow up period closes, appropriate steps have been taken to resolve the audit issues identified in report #9802.

We appreciate the assistance and cooperation of the Department of Management and Administration in the follow up process.

Appointed Official Response

City Manager Response: I appreciate the Auditing staff working with Procurement Services to identify opportunities for strengthening the disbursement process. Internal controls have been developed that strengthen the entire disbursement activity and related contracts process, and employees have been trained on the procedures. While some of the procedures developed are interim until the PeopleSoft financial system is implemented, revisions are already underway to support conversion to the new system this summer. Implementation of the PeopleSoft financial system will enhance our ability to manage the activities in the disbursement process.

Copies of this Final Audit Follow Up or the original audit report #9802 may be obtained via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@talgov.com).

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