

Final Audit Follow Up

As of September 30, 2002



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City Auditor

“Citywide Cash Controls – Development and Transportation Services”

(Report #0134, Issued August 29, 2001)

Report #0307

January 17, 2003

Summary

The various departments within Development and Transportation Services (DTS) have completed the remaining action steps developed as the result of our previously issued audit report #0134, Citywide Cash Controls.

In audit report #0134, issued August 29, 2001, we identified significant risks at several locations throughout the City that increased the likelihood that cash collections would not be properly and efficiently handled and deposited into the City's bank account. Recommendations were provided to eliminate or reduce those risks. The collections to which these risks and related recommendations pertained were classified into 26 categories. A separate presentation of the risks and recommendations for each category was provided in audit report #0134. Action plan steps were developed for each of the 26 categories.

The departments within Development and Transportation Services were responsible for eight of the 26 categories. The applicable departments/offices were (1) Growth Management, (2) Airport, (3) Real Estate, (4) Taltran, (5) Public Works Engineering, and (6) Planning. These departments/offices had a total of 58 action plan steps due for completion as of September 30, 2002. These steps have been completed.

We commend DTS management for their efforts in completing these steps. We encourage DTS management to continue the process of monitoring cash collection activity for the purpose of maintaining the appropriate level of control and identifying new risks as processes/circumstances evolve.

Scope, Objectives, and Methodology

Report #0134

The scope of report #0134 included a review of cash collection and processing functions at each City location where significant amounts of cash were collected. The audit focused on controls pertaining to cash upon collection by the City and/or City employees. The review was conducted during the period January 2, 2001, through May 15, 2001.

The primary objectives of the audit were to determine whether adequate controls had been established over cash collected throughout the City. This included a determination as to whether cash collections were:

- received and processed in a proper and efficient manner,
- adequately documented and accounted for,
- safeguarded, and
- timely deposited into the City's bank account.

The audit disclosed that, for the most part, controls were in place to provide accountability for collections from the time of receipt until deposit. However, the audit identified significant risks at several locations that (1) could result in the undetected loss or unauthorized diversion of cash, (2) limit the interest that could be earned on cash upon deposit, and/or (3) result in cash due the City not being received.

Report #0307

This is our second follow up on action plan steps identified in audit report #0134. In our first follow up we reported on progress and/or status of efforts to implement recommended action plan steps due as of

March 31, 2002. The purpose of this second audit follow up is to report on the progress and/or status of efforts to implement recommended action plan steps due as of September 30, 2002, including those initially due as of March 31, 2002.

To meet this objective and to facilitate the usefulness of our follow up work, separate follow up reports are issued for each of the five service areas to which the initial audit pertained. The service area addressed by this report is Development and Transportation Services (DTS). This is the final follow-up report for DTS.

To obtain information, we conducted interviews with key department staff and reviewed relevant documentation. This audit was conducted in accordance with Generally Accepted Government Auditing Standards, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

Background

The City collected revenues (i.e., cash) of approximately \$414 million at 22 separate departments/offices during fiscal year 2000. Those 22 locations were comprised of the Revenue Office and 21 departments/offices external to the Revenue Office. For audit purposes, the collections at those 22 locations were classified into 26 categories.

Eight of the 26 categories pertained to offices that are organizationally under Development and Transportation Services. Those eight categories included:

- Growth Management
- Airport Operations
- Airport Jetport Diner
- Real Estate – Parking, Leases, and Closings
- Real Estate – Cemetery Sales
- Taltran

- Public Works Engineering, and
- Planning

Collections for these eight categories during fiscal year 2000 totaled approximately \$27.88 million.

Previous Conditions and Current Status

In report #0134, we identified several risks that needed to be addressed in regard to collections received at Growth Management, the Airport, Real Estate, Taltran, Public Works Engineering, and Planning. These risks included, for example, unsecured collections, inadequate segregation of duties among employees, untimely deposits, lack of restrictive endorsements on negotiable instruments, lack of independent verifications of collections to deposits, and lack of records adequately documenting dates of receipt or custodial transfers to the Revenue Office. A total of 58 action plan steps were developed to address those risks. As shown in the following chart, all action plan steps have now been completed or resolved:

Area	Total Tasks Due	Completed
Growth Mgt.	10	10
Airport	15	15
Real Estate	11	11
Taltran	1	1
Engineering	11	11
Planning	10	10
Total	58	58

Table 1 provides a summary of the planned tasks and actions taken.

**Table 1
Action Plan Steps from Report #0134 and Current Status**

Action Plan Steps	Current Status
Growth Management	
<ul style="list-style-type: none"> • Competency cards available for issuance to contractors will be sequentially numbered. 	<ul style="list-style-type: none"> ✓ Competency cards are now sequentially numbered.
<ul style="list-style-type: none"> • An accounting of competency cards will be maintained that reflects the disposition of each card made available for issuance. 	<ul style="list-style-type: none"> ✓ An individual, that does not collect or have access to the related fees, generates reports from the Permit Enforcement Tracking System (PETS) that accounts for all competency cards by sequential number. That individual uses that report in conjunction with observance of unissued and voided cards to account for all competency cards.

<ul style="list-style-type: none"> • Appropriate programming changes will be made that allow the Permit Enforcement Tracking System (PETS) to reflect the applicable sequential number for each competency card that is issued. 	<ul style="list-style-type: none"> ✓ Changes were made to the PETS that provided for reports reflecting the sequential number of each issued competency card. That report is used in the independent reconciliations described in the previous step.
<ul style="list-style-type: none"> • Independent and/or supervisory verifications of competency cards issued to fees collected as recorded in PETS will be done. 	<ul style="list-style-type: none"> ✓ As the result of our follow up inquiry, Growth Management staff commenced generating PETS reports in November 2002 (including retroactive reports for September and October 2002) that indicated the fees collected for each competency card issued or other related action. Staff reviewed those reports for the purpose of ensuring appropriate fees were collected for each transaction.
<ul style="list-style-type: none"> • The PETS will be programmed to generate a daily summary report that reflects total competency card certification fees collected each day. 	<ul style="list-style-type: none"> ✓ Programming changes were made such that total fees collected relating to competency card issuances and activity are now reflected on daily summary PETS reports.
<ul style="list-style-type: none"> • Independent and/or supervisory comparisons will be conducted of fees collected per the daily summary reports (see preceding action step) to actual collections picked up by the Revenue Office or deposited by Growth Management staff. 	<ul style="list-style-type: none"> ✓ Appropriate Growth Management staff, as well as the Revenue Office courier, now balance collections relating to competency cards to the collections per the daily summary report (see preceding step).
<ul style="list-style-type: none"> • To the extent practicable, duties among staff will be segregated such that employees collecting competency card fees will not also access and issue competency cards. 	<ul style="list-style-type: none"> ✓ Duties of maintaining and issuing competency cards and collecting the related fees were segregated among different employees.
<ul style="list-style-type: none"> • In the Land Use/Environmental Services section, those receiving requests for and making document copies will not provide such copies to customers until a paid receipt is presented. Customers will make payment to an employee different from the maker and handler of the copies. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Growth Management will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Credit will no longer be extended to selected contractors. Contractors will be allowed to deposit funds into trust accounts maintained by the City and accounted for in PETS, against which fees can be applied as permits are obtained. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Airport – Operations and Jetport Diner</p>	
<ul style="list-style-type: none"> • Fees collected for permit issuances and replacements of security badges will be secured in a locked box in the Supervisor's office. Access to the lock box contents will be restricted to authorized staff. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> • Keys to vending machines will be stored in the safe located in the Airport Finance and Administration Office. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Two employees will be present whenever money is removed from vending machines. Both employees will sign and date the cash reports used to account for those collections. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Except when fees are paid at the time of application, entities that periodically rent airport facilities will be billed through the City's accounts receivable system. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Airport staff will check the City's accounts receivable system to ensure that requested amounts are properly billed. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • The Operations section will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • The Airport Finance and Administration section will obtain from the Revenue Office a restrictive endorsement that specifies the City bank account to which negotiable instruments must be deposited. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Collections received in the Operations section will be transferred to the Airport Finance and Administration section within one week of receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • All external parties billed through the City's accounts receivable system will be instructed to remit their payments directly to the Revenue Office at City Hall. 	<ul style="list-style-type: none"> ✓ All parties billed through the City's accounts receivable system now submit their payments directly to the Revenue Office.
<ul style="list-style-type: none"> • Dates of receipt for collections received in the mail will be documented. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Sequentially numbered receipt forms will be accounted for in a manner that will reflect the disposition of all receipt forms available for issuance. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Independent and/or supervisory reconciliations of amounts collected per completed receipt forms to amounts deposited will be periodically conducted. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Independent and/or supervisory reconciliations of permits issued to related collections received and deposited will be periodically conducted. 	<ul style="list-style-type: none"> ✓ Supervisory staff now account for the disposition of all permits, including verifying the related collections are transferred to the Finance and Administration Office for deposit.
<ul style="list-style-type: none"> • Written procedures for the receipt and processing of collections at the Airport will be established. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> Airport staff will ensure that the vendor operating the Jetport Diner establishes written procedures that address billing, collecting, and accounting for redeemed meal vouchers and catering sales. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Real Estate – Parking, Leases, Closings, and Cemetery Sales</p>	
<ul style="list-style-type: none"> Republic Parking System (RPS) will be instructed to make the City of Tallahassee the sole payee on checks submitted for payment. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Real Estate will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Applicable parties leasing City-owned properties will be instructed to remit their payments directly to the Revenue Office. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Any collections received in Real Estate will be transferred directly to the Revenue Office and not submitted through Accounting Services. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Documented acknowledgements of custodial responsibility will be obtained from the Revenue Office upon the transfer of collections. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Dates of receipt for any collections received in Real Estate will be documented. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures addressing the receipt and processing of collections will be established. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Collections for cemetery sales will be stored in locked desk drawers or file cabinets pending transfer to the Revenue Office. Access to those drawers/cabinets will be restricted. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Collections for cemetery sales will be timely transferred to the Revenue Office. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> An employee independent of the collection and custodial functions will periodically verify that amounts are collected for each cemetery lot and perpetual care sale. 	<ul style="list-style-type: none"> ✓ An employee independent of the collection function now completes monthly reconciliations. Those reconciliations verify that collections for sales of cemetery lots and perpetual care per burial request forms are properly recorded and transferred to the Revenue Office for deposit.
<ul style="list-style-type: none"> An employee not assigned responsibility for collecting cemetery sales proceeds will maintain an accounting of sequentially numbered burial request forms. That accounting will show the disposition for each form. 	<ul style="list-style-type: none"> ✓ A complete accounting for sequentially numbered burial request forms is now maintained by an employee independent of the collection function. That accounting reflects the disposition of each form.
<p>Taltran</p>	
<ul style="list-style-type: none"> Taltran staff will periodically check the City's accounts receivable system to ensure that amounts are properly billed based on billing requests submitted to Accounting Services. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Public Works Engineering	
<ul style="list-style-type: none"> • Collections pending transfer to the Revenue Office will be stored in locked desk drawers or file cabinets and access to those places restricted. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Engineering will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • The disposition of all collections will be properly documented. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Management staff will review and approve fee collection activity, including the dispositions of collections. Those reviews will be documented. 	<ul style="list-style-type: none"> ✓ Supervisory reviews and approvals of fee collection activity are documented on applicable records, including memoranda prepared for transfer of collections to the Revenue Office.
<ul style="list-style-type: none"> • Fees for bid packages will not be held pending bid closing dates or review of application packages. All collections will be timely transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✓ Although collections received prior to September 30, 2002, were not always timely transferred, Engineering staff took corrective actions such that October 2002 collections were timely transferred to the Revenue Office. Those efforts should be continued.
<ul style="list-style-type: none"> • FDOT will be instructed to send advance-refunding payments directly to the Revenue Office. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Records will be maintained of the bid packages available for issuance and the disposition of each of those packages. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • For those bid packages issued for a fee, an employee independent of the collection and custodial functions will verify that the appropriate fees are collected and transferred for deposit. 	<ul style="list-style-type: none"> ✓ Supervisory staff verifies that fees collected for bid packages are transferred to the Revenue Office for deposit. Those independent verifications are documented on the plan holders lists (documents bid packages issued for a fee) and transfer memoranda.
<ul style="list-style-type: none"> • Management will review the appropriateness of bid packages issued for which no fees are collected. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • An employee independent of the collection and custodial functions will verify that the proper fees are collected and transferred for each pre-qualification application that is received, reviewed, and entered into the department's database. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Written procedures will be established for the receipt and processing of collections. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Planning	
<ul style="list-style-type: none"> Grantor agencies will be instructed to remit their payments directly to the Revenue Office. These instructions will be provided upon the establishment of an implementation schedule by the Revenue Office. 	<ul style="list-style-type: none"> ✓ As of the end of our fieldwork, the Revenue Office had not provided a timetable for Planning to request their grantor agencies to start submitting payments directly to the Revenue Office. In the meantime, Planning has taken appropriate actions to safeguard and timely transfer grantor checks to the Revenue Office. As alternative actions have been taken, this issue is considered resolved. (This issue will be further addressed in our follow up report on the Revenue Office.)
<ul style="list-style-type: none"> Planning will obtain an endorsement stamp from the Revenue Office and will restrictively endorse negotiable instruments upon their receipt. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Any grant payments received in Planning will be transferred directly to the Revenue Office and not submitted to Accounting Services. 	<ul style="list-style-type: none"> ✓ Grantor checks received in Planning are now transferred directly to the Revenue Office.
<ul style="list-style-type: none"> Documented acknowledgements of custodial responsibility will be obtained for grant payments transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✓ Documented acknowledgements of receipt are now obtained from the Revenue Office upon the transfers.
<ul style="list-style-type: none"> Collections will be timely transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✓ Collections are timely transferred to the Revenue Office.
<ul style="list-style-type: none"> An employee independent of the fee collection and handling process will maintain a log of all accepted applications. That employee will periodically verify that fees have been collected and transferred for deposit for each application accepted and reviewed by Planning staff. 	<ul style="list-style-type: none"> ✓ An employee independent of the collection function maintains a record of all applications received and traces each one to evidence of collection and subsequent transfer to the Revenue Office. This process is documented.
<ul style="list-style-type: none"> An employee not assigned responsibility for collecting fees will maintain records that document the disposition of all receipt forms. 	<ul style="list-style-type: none"> ✓ An employee independent of the collection function verifies the disposition of all sequentially numbered receipts. These verifications are done monthly and are documented.
<ul style="list-style-type: none"> An employee not assigned responsibility for collecting fees will periodically reconcile fees received per completed receipt forms to amounts transferred to the Revenue Office for deposit. 	<ul style="list-style-type: none"> ✓ As part of the independent verification described in the preceding step, fees indicated as collected per completed receipt forms are traced to evidence of transfer to the Revenue Office. Furthermore, staff has established (and is in the process of implementing) a procedure to match anticipated grant receipts to actual grant receipts collected and transferred to the Revenue Office.
<ul style="list-style-type: none"> External parties requesting copies will be instructed to pay the applicable fees at the Revenue Office. Copied documents will only be provided upon evidence (e.g., Revenue Office paid receipt) that payment has been made. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Written procedures addressing the receipt and processing of collections will be established. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Table Legend:

• Issue addressed in the original audit

✓ Issue addressed and resolved

Conclusion

The various DTS departments and offices have been successful in completing the tasks that were identified in audit report #0134. We commend DTS management for their timely efforts in completing the action plan steps. We encourage DTS managers to continue monitoring activity and risks relating to cash. Such monitoring efforts should be directed towards: (1) ensuring existing controls continue to be consistently and properly applied and (2) implementing appropriate control measures as circumstances change and new risks are identified.

We appreciate the response and assistance provided by the applicable departments/offices during this audit follow up.

**Response from
Appointed Official**

City Manager:

I'm pleased with the level of implementation of the Action Plan. It reflects Management's determination to establish and maintain the highest level of cost-effective internal control. We thank the auditors for their assistance.

Copies of this Final Audit Follow Up or audit report #0134 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or 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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