

**TAX COLLECTOR**

**MARCH 2, 2001**

**REPORT NUMBER 525**

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



March 2, 2001

Report No. 525

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 Jacksonville Municipal Code, we examined the activities of the Tax Collector and present this report thereon.

The Tax Collector is an agency fund of the City of Jacksonville. The Tax Collector consists of the following divisions: Supervision and General Collections, Utility Collections, Current and Delinquent Taxes, Business Licenses and Permits, Non-Business Motor Vehicles, and Branch Agencies. The Tax Collector provides governmental services through the determination, collection, and distribution of all taxes, fees and service charges required by local ordinance and state law. The Tax Collector also provides services to various State agencies which include the Department of Revenue, the Department of Natural Resources, the Florida Game and Fresh Water Commission, and the Department of Highway and Motor Vehicles.

**STATEMENT OF OBJECTIVES**

The objectives of the audit were as follows:

1. To determine that all bank accounts are accurate, reconciled timely and reviewed by an independent third party.
2. To determine that all cash receipts collected by the Tax Collector's Office are deposited intact and timely.
3. To determine that all items paid from the Imprest Account are legitimate, authorized and returned to the Imprest Account on a timely basis.
4. To determine that checks written from ProCheck Plus (i.e. Check Writer System) are legitimate, authorized, properly accounted for and properly recorded.

**STATEMENT OF SCOPE**

The audit period of our examination varies for each objective based upon the availability of data. The audit period for our examination of the bank accounts was October 1, 1999 through September 30, 2000. The audit period for the examination of cash receipts was April 1, 2000 through October 31, 2000 based upon the inception of the new cash receipt system and the period examined for the check writer system was September 5, 2000 through November 21, 2000 based upon the limited data available within the check writer system. The Imprest Desk was examined on November 14, 2000 and the Cash Coverage and Shortage Summary was examined for the months of October 1999 through August 2000.

## **STATEMENT OF METHODOLOGY**

Objective 1: The bank accounts were examined to determine the clerical accuracy and the timeliness of the reconciliation and the timeliness and validity of the reconciling items. Every bank reconciliation within the scope was reviewed to determine the timeliness of the reconciliation and whether it was reviewed by an independent third party. The sample selected to test the accuracy of the reconciling items was selected by utilizing a matrix spreadsheet in order for every month to be reviewed at least once.

Objective 2: The sample selected for cash receipts was 15 days and was selected using the Stat. v.1.1 statistical sampling program.

Objective 3: A sample for the Imprest Fund was selected from the Detail Activity Report. All items over \$500 and every 30<sup>th</sup> item below \$500 was selected for testing. The Imprest Fund was tested by obtaining the latest Imprest Fund Balance Sheet and agreeing the amounts to the Detail Activity Report. The Detail Activity Report was scanned to determine that the dates were reasonably current. A sample was selected from the Detail Activity Report and the supporting documents were examined for existence and authorizing signatures.

Objective 4: To test the new check writer system, a sample of checks from each account was selected utilizing the Stat. v.1.1 statistical sampling program. There are eight bank accounts and two of the accounts have two different series of check numbers and one account only issues wires; therefore, there were nine different samples selected based upon each series of check numbers. The check writer system used prior to the ProCheck Plus system was documented and the controls were evaluated. The old check writer system remains in the Accounting Department and the employees have access to write checks from the system.

## **STATEMENT OF AUDITING STANDARDS**

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgements and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

## **AUDIT CONCLUSIONS**

We noted the following conclusions for each audit objective:

1. The bank reconciliations are reasonably accurate but are not reviewed by an independent third party and it could not be determined that they were reconciled timely because they were not dated. Also, the abandoned checks are not being properly submitted to the State Department of Banking and Finance as required by F.S. 717.
2. The Regency Branch is supplementing their operating cash by borrowing money from the next day's deposit; and therefore, all funds are not deposited in tact and timely.
3. All items paid from the Imprest account appear to be legitimate, authorized and are being returned on a timely basis; however, it was noted that more controls could be enforced to limit the amount of counterfeit money collected by the Tax Collector.
4. The checks written from the ProCheck Plus check writer system appear to be legitimate, authorized, properly accounted for and properly recorded; however, we noted several internal control weaknesses with the ProCheck Plus system and the system that was used previously.

## **AUDIT OBJECTIVE #1**

In order to determine that all bank accounts are accurate, reconciled timely and reviewed by an independent third party, we reviewed all bank reconciliations during the period of October 1, 1999 through September 30, 2000 and performed detailed testing on a sample basis.

We noted several findings and one internal control weakness for Objective #1 as follows:

### **Finding #1**

Fifty-nine of 96 bank reconciliations (61.4%) were signed but not dated and eight (8.3%) were not signed or dated by the preparer.

### **Recommendation**

We recommend that all bank reconciliations be signed and dated by the preparer upon reconciliation.

### **Finding #2**

Sixty-one of 96 bank reconciliations (63.5%) were not reviewed by an independent third person.

### **Recommendation**

We recommend that all bank reconciliations be reviewed and signed by an independent person upon reconciliation.

### **Auditee's Response to Findings 1 & 2**

*Of 96 reconciliations, 88 or 92% were signed by the preparer. Although all reconciliations were not dated by the preparer, we feel the date of the review establishes timeliness. For the second half of the audit period, most reconciliations were reviewed, signed and dated by an independent third party. Overall this establishes that reconciliations were done timely. This office is currently having all reconciliations signed and dated by the preparer and reviewer.*

### **Finding #3**

In the process of examining the bank reconciliations, it was discovered that errors, mistakes and their corrections are not properly being documented and recorded during the reconciliation process.

### **Recommendation**

We recommend that every transaction be properly recorded in order to provide a useful audit trail and to decrease the possibility of the inappropriate use of funds.

### **Auditee's Response to Finding #3**

*This office takes a great deal of care to properly reconcile all bank accounts. With over 2 billion dollars collected and remitted each year, we feel any undocumented errors or mistakes are minimal. However, this office will continue to strive for zero errors or mistakes.*

### **Finding #4**

One bank account has outstanding checks dated back to June 1993. These checks ranging in the denomination of \$20's, \$10's and \$5's total \$2,650. Upon further inquiry, it was determined that these types of funds are periodically voided and deposited into a Tax Collector account for "Paid Unclaimed Checks to Tax Collector"; however, these funds have never been remitted to the State of Florida as required by F.S. Chapter 717 for Disposition of Unclaimed Property. The cash balance in this account as of January 18, 2001 was \$185,609.

### **Recommendation**

We recommend that the procedures regarding abandoned property be followed as required by F.S. Chapter 717. The checks submitted to date to sub-fund 662 "Paid Unclaimed Checks to the Tax

Collector” should be reconciled with the total cash balance of this sub-fund and the appropriate amount should be remitted to the State in accordance with F.S. Chapter 717.

**Auditee's Response to Finding #4**

*During previous years, this office has forwarded funds and lists of unclaimed checks to the General Accounting Division to comply with F.S. Chapter 717. During the period in question, for whatever reason, these unclaimed checks were not sent to the State of Florida. Upon discovering this situation, this office has taken the necessary steps to ensure these unclaimed funds are handled in compliance with F.S. Chapter 717.*

**Internal Control Weakness**

The Accounting Department does not have an Operating and Procedures Manual; however, the employees are cross-trained in some areas.

**Recommendation**

We recommend that an Operating and Procedures Manual be developed for all job functions.

**Auditee's Response to Internal Control Weakness**

*Employees of the Accounting Department are cross-trained so as to maintain continued day to day operation in the case of sickness or employee turnover. To comply with this internal control recommendation, this office will begin preparing an operating and procedures manual.*

**AUDIT OBJECTIVE #2**

In order to determine that all cash receipts collected by the Tax Collector’s Office are deposited intact and timely, we reviewed the controls over cash and selected fifteen days for detailed testing.

We noted one finding and one internal control weakness for Objective #2 as follows:

**Finding #5**

The Regency Branch is supplementing their operating cash by borrowing money from the next day’s deposit. The Regency Branch has a basket of one dollar bills and a basket of five dollar bills that is maintained as operating cash in addition to their normal level of operating cash that totals \$3,500. Each Branch prepares two deposits per day, a morning deposit and an afternoon deposit. The morning deposit represents cash and checks from the prior business day and the afternoon deposit represents cash collected during the current business day. The amount of one and five dollar bills that are in the morning deposit is removed and replaced with larger bills of the same amount from the afternoon deposit. The amount of money lapped at the Regency Branch amounts to approximately \$3,000. This is done because the operating cash provided to the Regency Branch does not provide an adequate level of operating cash.

**Recommendation**

We recommend that Regency Branch’s operating cash be increased to the level necessary to sustain their daily activity and that all cash receipts be deposited intact.

**Auditee's Response to Finding #5**

*This practice was begun so as to provide adequate cash in small denominations to make change for customers. Upon learning of these procedures, it has been stopped. Operating cash has been increased to sustain daily activity and all cash receipts are deposited intact.*

**Internal Control Weakness**

The General Collection’s Department has employees who are in cash handling positions who are not required to take a vacation.

**Recommendation**

We recommend that employees who are in a cash handling position be required to take a vacation of a minimum of five days or rotate job functions with a non-cash handling position.

**Auditee's Response to Internal Control Weakness**

*All cash handling employees will be required to take annual vacation.*

**AUDIT OBJECTIVE #3**

In order to determine that all items paid from the Imprest Account are legitimate, authorized and returned to the Imprest Account on a timely basis, we reviewed the Imprest Account Balance Sheet and the Detail Activity Report. A sample was selected from the Detail Activity Report from each category to determine if the transaction was legitimate, authorized and current.

**Strengths Noted:**

- The Imprest Fund Balance Sheet is reconciled with the Imprest Fund bank balance on a daily basis.
- General Collections submits a Monthly Imprest Report to the Accounting Department that lists explanations of items that are not timely.

Our findings for Objective #3 are as follows:

**Finding #6**

An examination of the Imprest Overage/Shortage Forms from October 1999 through August 2000 indicated that approximately \$2,910 was collected in counterfeit money. The Tax Collector does not have a method in place to determine if money collected is genuine or counterfeit.

**Recommendation**

We recommend that the Tax Collector implement a procedure, such as a counterfeit pen for each cashier, to determine if money collected is genuine or counterfeit. In addition, it may be helpful to post a sign to make customers aware that all bills over a certain amount will be tested for authenticity.

**Auditee's Response to Finding #6**

*This office will contact the Secret Service to establish measures to limit the loss from counterfeit money presented to the Tax Collector.*

**AUDIT OBJECTIVE #4**

In order to determine that checks written from ProCheck Plus (i.e. check writer system) are legitimate, authorized, properly accounted for and properly recorded, we selected a sample from each series of check numbers. We also documented and reviewed the internal controls that are in place in regards to the old check writer system used prior to ProCheck Plus.

We noted several findings and one internal control weakness for Objective #4 as follows:

**Background**

The ProCheck Plus Check Writer System is a new check writer system that was implemented by the Tax Collector during April 2000.

**Finding #7**

The Accounting Manager who is responsible for reconciling the bank statements and the Assistant Accounting Manager who is responsible for posting checks to the system also have access to print checks from the check writer system.

**Recommendation**

We recommend that the persons responsible for reconciling the bank statements and posting checks to the system not have access to print checks from the check writer system.

**Auditee's Response to Finding #7**

*The individuals mentioned no longer have access to print checks from the check writer system.*

**Background**

There are six basic reporting forms within the ProCheck Plus Check Writer System. They are Print Log, Account Listing, Activity Listing, System Setup, User Listing, and Vendor Database Listing. The system also has the ability to allow users to create customized reports.

**Finding #8**

The Activity Listing is a report that details every action taken by a user, from login to logout. This would enable the Accounting Manager to monitor unauthorized activity within the check writer system. This report is not printed.

**Recommendation**

We recommend that the Accounting Manager print and review the Activity Listing on a periodic basis in order to monitor the activity of the users of the check writer system.

**Auditee's Response to Finding #8**

*This activity listing is now being printed on a weekly basis and reviewed by the Accounting Manager.*

**Finding #9**

The Print Log is a report that lists the history of the checks printed with the check writer system. This report could be used to reconcile the checks printed to the Tax Collector's daily posting. Currently checks that are erroneously not posted remain undetected until the bank reconciliation.

**Recommendation**

We recommend that the Accounting Department print a Print Log daily and reconcile the checks printed to the checks posted to the Accounting System.

**Auditee's Response to Finding #9**

*This print log is now being printed daily to compare to daily posting. This will ensure all checks printed will be posted.*

**Finding #10**

The Vendor Database Listing is a report that lists the vendors that have been set up in the vendor database. The vendor database is not being used. The use of the vendor database would increase the accuracy and efficiency of the check writing process.

**Recommendation**

We recommend that the Accounting Department implement the vendor database function and use the vendor database listing whenever possible.

**Auditee's Response to Finding #10**

*The vendor database listing is being reviewed by the appropriate Tax Collector personnel and will be utilized by the Accounting Department.*

**Finding #11**

The ProCheck Plus system has a positive pay function that would allow the bank to determine which checks were legitimate prior to paying the checks via a check file sent from the check writer system. The Tax Collector has accounts with two different banks. One of these banks began utilizing the positive pay function on January 1, 2001.

**Recommendation**

We recommend that the Tax Collector utilize the positive pay function available with the check writer system with all bank accounts.

**Auditee's Response to Finding #11**

*This office is currently negotiating with appropriate bank to take advantage of the positive pay function on all accounts.*

**Background**

The check writer system used prior to the ProCheck Plus system is more of a manual system with a typewriter/check printer. The old system is used in the case of emergencies. The system requires a user code for access and has the capability to print a report that lists the checks printed.

**Internal Control Weakness**

There are several internal control weaknesses that we observed during the review of the old check writer system. They were as follows:

- Accountability is not properly maintained over the blank check stock used for the old check writer system.
- Checks used for the old check writer system are stored in cabinets left unlocked during working hours.
- Employees share operator codes to gain access to the old check writer system.
- The reporting function that is provided on the old check writer system is insufficient for the needs of the Accounting Department.

**Recommendation**

We recommend that the old method of writing checks be discontinued based upon the fact that the new check writer system has zero downtime and a 24-hour technical service help line.

**Auditee's Response to Internal Control Weaknesses**

*The old check writer system has been dismantled and all old check stock shredded.*

Respectfully submitted,

Robert O. Johnson, CPA  
Council Auditor

Audit Performed by:

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Tasha Gunderson



OFFICE OF THE TAX COLLECTOR

LYNWOOD ROBERTS  
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**MEMORANDUM**

**TO:** Bob Johnson  
Council Auditor's Office

**FROM:** Lynwood Roberts  
Duval County Tax Collector

**DATE:** February 26, 2001

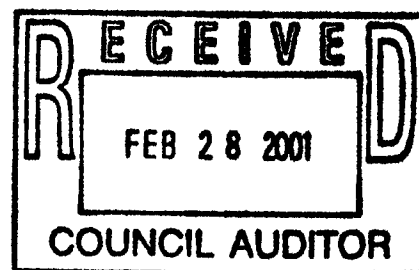
Please find enclosed the Tax Collector's Office responses to the audit performed by the Office of the Council Auditor.

As can be seen from these responses, the Tax Collector has already carried out the majority of these recommendations contained in the audit findings. Steps are currently being taken to comply with the few recommendations that have not been resolved. (Finding # 6 and #7).

The Tax Collector's Office is most appreciative of the assistance and guidance afforded to us by your office.

It is our contention that the findings of this audit are indicative of a fiscally and operationally sound office.

If you have any questions regarding this response, please contact me at 630-2088.



### **Finding 1 & 2**

Of 96 reconciliations, 88 or 92% were signed by the preparer. Although all reconciliations were not dated by preparer, we feel the date of the review establishes timeliness. For the second half of the audit period, most reconciliations were reviewed, signed and dated by an independent third party. Overall this establishes that reconciliations were done timely. This office is currently having all reconciliations signed and dated by the preparer and reviewer.

### **Finding 3**

This office takes a great deal of care to properly reconcile all bank accounts. With over 2 billion dollars collected and remitted each year, we feel any undocumented errors or mistakes are minimal. However, this office will continue to strive for zero errors or mistakes.

### **Finding 4**

During previous years, this office has forwarded funds and lists of unclaimed checks to the General Accounting Division to comply with F.S. Chapter 717. During the period in question, for whatever reason, these unclaimed checks were not sent to the State of Florida. Upon discovering this situation, this office has taken the necessary steps to ensure these unclaimed funds are handled in compliance with F.S. Chapter 717.

### **Internal Control**

Employees of the Accounting Department are cross-trained so as to maintain continued day to day operation in the case of sickness or employee turnover. To comply with this internal control recommendation, this office will begin preparing an operating and procedures manual.

### **Finding 5**

This practice was begun so as to provide adequate cash in small denominations to make change for customers. Upon learning of these procedures, it has been stopped. Operating cash has been increased to sustain daily activity and all cash receipts are deposited intact.

### **Internal Control**

All cash handling employees will be required to take annual vacation.

**Finding 6**

This office will contact the Secret Service to establish measures to limit the loss from counterfeit money presented to the Tax Collector.

**Finding 7**

The individuals mentioned no longer have access to print checks from the check writer system.

**Finding 8**

This activity listing is now being printed on a weekly basis and reviewed by the Accounting Manager.

**Finding 9**

This print log is now being printed daily to compare to daily posting. This will ensure all checks printed will be posted.

**Finding 10**

The vendor database listing is being reviewed by the appropriate Tax Collector personnel and will be utilized by the Accounting Department.

**Finding 11**

This office is currently negotiating with appropriate bank to take advantage of the positive pay function on all accounts.

**Internal Control**

The old check writer system has been dismantled and all old check stock shredded.