



Council Auditor's Office

Follow-up Report on the Audit of Indirect Cost Allocation Report

Report #747A

Released on: December 12, 2016

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



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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past report #747, Audit of Indirect Cost Allocation, to determine whether or not 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 Budget Officer 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 on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in the Budget Office's responses. The following is a brief summary of the results of our follow-up inquiry and testing.

Based on the responses received from the Budget Office and our follow-up testing of a judgmentally selected sample, it appears that the Budget Office has complied with our audit recommendations with the following exceptions:

Internal Control Weakness 1 *Lack of Policies and Procedures*

During the initial audit we found that there was not a set of policies and procedures in place to provide guidance to employees coordinating the indirect cost study. The preliminary response indicated that a working set of policies and procedures has been compiled, but since there may be changes in the vendor, the procedures cannot be finalized until after the consultant is selected. In reviewing the set of working policies and procedures, we found that there is some detail on what to request, what to look over and what items should be included in the Mayor's Proposed Budget. The set of working procedures is still in draft form and needs some details added on specific procedures. We will follow-up in the future as to the status and content of the policies and procedures.

Budget Office Response to the Follow-Up of Internal Control Weakness 1

Agree Disagree Partially Agree

The Budget Office will have a draft of the documents for review by the Council Auditor by May 2017.

Finding 1 *Inaccuracy of Costs to be Allocated*

During the previous audit we found issues with how the equipment depreciation expense was allocated out. The preliminary response from the Budget Office indicated improvements have been made to the process; however, in performing our follow-up procedures we found that the same issue existed in the most recent indirect cost study. Specifically, detail related to equipment depreciation was keyed in at incorrect amounts. Based on discussion with staff, our understanding is that some processes are being changed with how this specific information is provided to the consultant which should address this issue. We will follow-up in the future to determine whether this issue has been resolved.

Budget Office Response to the Follow-Up of Finding 1

Agree Disagree Partially Agree

We are working with the vendor to find a way to systematically verify the amounts entered by the vendor into their system. This will eliminate the data entry error that caused the issue described above.

We would like to thank the Budget Office for their cooperation in conducting this follow-up review.

Sincerely,

Kirk A. Sherman, CPA
Council Auditor