



Council Auditor's Office

Follow-up Report on Report #737

January 22, 2016

Report #782

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



January 22, 2016

Report #782

Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past reports 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.

In determining our population for this follow-up review, we included all twelve of the reports from Follow-up Report #737, due to the large number of non-compliance issues associated with that report. This report will address all previous non-compliance issues associated with Report #737 only.

Twelve Reports for Which Compliance Had Not Been Achieved Per Follow-up Report #737:

1. Procurement – Sole Source/Proprietary Purchases Audit Report #647 (May 2008)
2. Public Buildings Division Audit Report #664 (June 2009)
3. Northwest Jacksonville Economic Development Trust Fund Audit Report #672 (October 2009)
4. Tax Collector Audit Report #678 (March 2010)
5. City Accounts Receivable Audit Report #697 (March 2011)
6. Jacksonville Aviation Authority Accounts Payable Audit Report #691 (December 2010)
7. JEA Franchise Fee and Public Service Tax Audit #682 (June 2010)
8. Landfill Ticket Audit Report #683 (July 2010)
9. Shands Indigent Care Audit Report #693 (December 2010)
10. Treasury Division Check Pick-Up Audit Report #671 (September 2009)
11. Value Adjustment Board Revenue for 2008 and 2009 Report #688 (October 2010)
12. Supervisor of Elections Audit Report #694 (January 2010)

We sent follow-up letters to the twelve auditees inquiring as to the status of the following delinquent audit report recommendations that remained open in our last follow-up report, number 737. We reviewed the recommendations from the follow-up report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed testing on all of these delinquent findings to verify that our recommendations have been implemented as stated in the auditees' response. The following is a brief summary of the results of our follow-up inquiry and testing.

1. Procurement – Sole Source/Proprietary Purchases Audit Report #647 (May 2008) / Follow-up Report #687 (September 2010) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the responses received from the Procurement Division and our follow-up testing, it appears that the Procurement Division has complied with our audit recommendations with the following exception:

Finding 1 stated the distinction between a sole source and proprietary purchase as defined in the Administrative Code was not clear. Procurement initially stated and has continued to state that this would be addressed in the next revision of Chapter 126 within the Municipal Code. At this point in time, no revision has been made. It should be noted that Proposed Ordinance 2014-306-W was introduced on May 13, 2014. However, after much discussion in the various City Council Committees, it was requested to be withdrawn.

Procurement Division's Fourth Response to the Follow-Up of Finding 1

Agree Disagree Partially Agree

In our previous response we indicated that Procurement and the CAO were reviewing potential areas for suggested code revisions to include the Council Auditor recommendation. We are in the process now of drafting new legislation that will amend the code to eliminate the sole source and proprietary classifications and mirror the States policy of just one classification, Single Source. The proposed legislation will be coming before MBRC in the next cycle or two.

2. Public Buildings Division Audit Report #664 (June 2009) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the responses received from the Public Buildings Division of the Public Works Department and our follow-up testing, it appears that the Public Buildings Division has complied with our audit recommendations.

3. Northwest Jacksonville Economic Development Trust Fund Audit Report #672 (October 2009) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the responses received from the Housing and Community Development Division of the Planning and Development Department and our follow-up testing, it appears that the Housing and Community Development Division has complied with our audit recommendations regarding the Northwest Jacksonville Economic Development Trust Fund.

4. Tax Collector Audit Report #678 (March 2010) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the responses received from the Tax Collector and the Finance and Administration Department and our follow-up testing, it appears the Tax Collector has complied with our recommendations with the following exception:

Finding 1-3 in the original audit report stated that the Tax Collector's Office should pursue an amendment to Municipal Code Section 110.202(b) to reflect service fees for returned checks that are allowed to be collected by the Florida Statutes and that the Tax Collector Policies be updated accordingly. The Tax Collector in his response to our inquiry on the status of this recommendation stated that he met with the City's former Finance Director under the previous Mayor and the Finance Director agreed to pursue an amendment to Ordinance Code 110.202(b). However, in a response to our inquiry to the Finance and Administration Department regarding the status of this, the current Finance Director stated on September 17, 2015, that he was unaware of this audit finding and the promised action. He also stated that the Treasury Division would enter a legal request to amend Chapter 110.202(b) so as to align it with the State Statutes.

Tax Collector's Third Response to the Follow-Up of Finding 1-3

Agree Disagree Partially Agree

We concur with the recommendation. The Duval County Tax Collector's office has corresponded with the Finance and Administration Department regarding the recommendations of the Council Auditor. We are actively working with the City on legislation aligning the City's policy with State Statutes.

Finance and Administration Department's Third Response to the Follow-Up of Finding 1-3

Agree Disagree Partially Agree

The Finance Department has now submitted a legal request to draft legislation with the goal of matching local ordinance code related to collection of dishonored check fees to the state statutes. Specifically, current municipal code Section 110.202(b) allows for a \$5 returned check fee, in addition to all other penalties imposed by law. Rather than leaving the "all other penalties imposed by law" open to interpretation, we have requested clarification as follows:

F.S. 125.0105 sets this fee at 5% of the check amount, or the amounts contained in F.S. 832.08(5), whichever is higher. F.S. 832.08(5) allows for fees of up to \$25 on checks not exceeding \$50, \$30 for check more than \$50 but not exceeding \$300, and \$40 for checks over \$300. We have requested that the draft legislation include incorporation of both F.S. 125.0105 and F.S. 832.08(5).

We will work with our bank as well as the tax collector and their bank after ordinance passage with the goal of setting the fee at the level necessary to ensure that taxpayers are not bearing the burden of dishonored checks.

5. City Accounts Receivable Audit Report #697 (March 2011) / Follow-up Report #737 (July 2013)

Based on the responses received from the Finance and Administration Department, it appears the Finance and Administration Department has not complied with our audit recommendations noted below:

- A. Internal Control Weakness 1-3 stated the accounts receivable (A/R) supervisor has the ability to review delinquent invoice reports and prevent any account from being sent to the outside collection agency without documenting why the account was not sent to collections. The Finance and Administration Department responded that in the future any account that was not sent to collections would state the reason it is being withheld documented on the applicable 80-day notice accompanied by the date and initials of the A/R manager. The Finance Director stated in his response dated September 28, 2015, “The adherence to the policy has gotten worse since the response was given in March 2011 for Audit Report #697 as the A/R staff was reduced 25% by the previous Administration. The A/R system of transferring accounts to collections per policy is not automated and manually sending accounts to the collection agency cause delays in processing due to less staff. Delinquent accounts are sent to collections as soon as practicable. The new Comptroller is assessing the staffing needs of the Accounting Division.”

Finance and Administration Department’s Second Response to the Follow-Up of Internal Control Weakness 1-3

Agree Disagree Partially Agree

We agreed to state the reason for not sending an invoice to collections on the 80-day notice and have the A/R manager initial so that the A/R manager would know what was being withheld and why. After our staff was decreased and the A/R supervisor position was no longer available, the A/R manager reviewed the 80-day notices. We attached emails from the department that requested invoices not go to collections with their reasons why. We also marked any invoice that was paid “PD” so we would know that this invoice would not be sent to collections.

The 25% reduction in staff crippled A/R in their ability to send invoices to collections timely as this is a manual process. Coupled with that, we acquired new employees to fill the position of the account technician that retired and the account technician specialist that was promoted to a position outside of the A/R section. There was a training process/period for these two people. Added to that, the reports we received to indicate what accounts should go to collections were not always accurate. These occurrences seem to happen when miscellaneous adjustments to the invoices cause the system to read the documents adjusted date instead of the original date. (some invoices that should have gone to collections did not appear on the report).

The A/R manager communicated to the current comptroller the importance of getting the A/R supervisor position back and filled. We have this position back as an Accountant Senior position and it was filled February 2016. A/R also had an accountant retire in January 2016 and an

account technician was promoted to a position outside of the A/R section. This means that 75% of the staff in A/R is relatively new and in training.

- B. Opportunity for Improvement 1-1 stated the City has been operating under the same contract for collection services with the same company for nearly 10 years and a Request for Proposal (RFP) should be issued for the City's collection contract. The Finance and Administration Department responded that they agreed it may be in the best interest of the City to do an RFP for the collections contract and would proceed with preparing an RFP in fiscal year 2011/12, workload permitting. The Finance Director stated in his response dated September 28, 2015, "The previous Administration did not issue an RFP for the City's collection contract. The present Administration will proceed with preparing an RFP in fiscal year 2015/16, workload permitting."

Finance and Administration Department's Second Response to the Follow-Up of Opportunity for Improvement 1-1

Agree Disagree Partially Agree

We did an RFP specializing in ambulance billings and a new company was awarded the contract. Ambulance billings represent approximately 76% of the billings. In the next fiscal year we anticipate reviewing the remaining billings to determine if an additional RFP will be pursued.

6. Jacksonville Aviation Authority Accounts Payable Audit Report #691 (December 2010) / Follow-up Report #737 (July 2013)

Based on the responses received from the Jacksonville Aviation Authority (JAA) and our follow-up testing, it appears that JAA has complied with our audit recommendations.

7. JEA Franchise Fee and Public Service Tax Audit Report #682 (June 2010) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the response received from the City Finance and Administration Department, it appears the City Finance and Administration Department has not complied with our additional audit finding recommendation to pursue the execution of a franchise agreement with a certain natural gas provider; and therefore, the City is unaware if they are receiving all of the revenue that would be required under an executed franchise agreement. It should be noted that the City received a check in the amount of \$48,046.36 in September 2015 that the Finance and Administration Department said covered the franchise fees from the natural gas provider since the acquisition of the natural gas company. However, the City cannot be certain if they received all the revenue due to the continued absence of an executed franchise agreement.

Finance and Administration Department's Third Response to the Follow-up of Additional Finding

Agree Disagree Partially Agree

The Finance and Administration Department has confirmed the City of Jacksonville is receiving franchise fees from Amerigas. We have been unsuccessful in locating an executed franchise agreement. We have contacted Public Works to assist in drafting an agreement per chapter 711 of the Municipal Code. There has been discussion as to where the responsibility lies for this agreement - Public Works is advising that they believe it to be in the Planning and Development Department. Finance and Administration has tentatively set a meeting with these other departments to determine which department has responsibility for getting the agreement drafted and executed.

8. Landfill Ticket Audit Report #683 (July 2010) / Follow-up Report #737 (July 2013)

Based on the responses received from the Public Works Solid Waste Division and our follow-up testing of a judgmentally selected sample, it appears that Solid Waste has complied with our audit recommendations with the following exception:

Finding 1–5 in our original report #683 stated a number of cash deposits were not transferred to the Tax Collector in a timely manner. In our Follow-Up report #737, we found several instances where revenue collected was not picked up on the next available armored car service pick up date. Solid Waste responded that the scope of work for the armored car service was upgraded so collections are now made from Monday through Saturday. However, our follow-up testing revealed that 12 of 30 (or 40%) of cash deposits sampled were not picked up by the armored car service on the next business day as required by the City Cash Handling Standard Operating Procedures. Cash deposits are still not consistently being transferred to the Tax Collector in a timely manner.

Public Works Second Response to the Follow-up of Finding 1-5

Agree Disagree Partially Agree

When the follow-up testing was performed, the Solid Waste Division scalehouse staff was not in the practice of consistently finalizing deposits at the start of each work day. At the end of a shift, each weighmaster is required to perform a z-out to determine the amount collected, prepare a CR, seal the money in an envelope (with date, amount and signature) and then lock the envelope in a safe. Before pickup by the armored car service, the individual envelopes must be placed together in a plastic bag with a copy of the deposit manifest and then sealed shut. This step is done the next morning, but was not necessarily being done first thing. If the combined deposit was not complete before pickup, then the bag was left secured in the safe for another day. Since the revised Cash Receipts SOP was distributed in January, the Solid Waste Division procedure has been revised to require that the deposit be combined and made ready for pickup, as a priority, at the start of each work day. The Weighmaster Supervisor has been tracking the dates to ensure compliance with the City's overall policy to make deposits no later than the next

business day. Since January, deposits have been consistently picked up the next day other than Saturday deposits which are picked up on Monday. There has only been one instance during this time that a deposit was picked up two days later, and this instance was the day after a holiday. Our contract was not set up to include holiday pickups. That has since been changed.

9. Shands Indigent Care Audit Report #693 (December 2010) / Follow-up Report #737 (July 2013)

Based on the responses received from the Treasury Division of the City's Finance and Administration Department and our follow-up testing, it appears that the Treasury Division has taken some steps to initiate compliance with our audit recommendation. Opportunity for Improvement 1-1 in the Shands Indigent Care Audit stated that no department or agency within the City was monitoring the City's agreement with Shands outside of the periodic audit performed by the Council Auditor's Office.

The City's Finance and Administration Department response to our follow-up status request stated: "The Account Services Manager in the Treasury Division has confirmed that a review of income levels and resident requirements was completed in the last quarter of 2014. All samples and supporting documentation appeared to be within the agreement financial thresholds. The quarterly payments the City sends to Shands is still being sent as stated in the Indigent Care Agreement."

Our follow-up testing and interview with the Account Services Manager did indicate that she visited Shands in November 2015; however there was inadequate documentation evidencing that a complete review of income levels and resident requirements was performed. Additionally, the Account Services Manager has since terminated employment with the City and it is unclear who will fulfill the oversight of this contract in the future.

Treasury Division's Second Response to the Follow-up of Opportunity for Improvement 1-1

Agree Disagree Partially Agree

The Compliance Officer for the Administration and Finance Department will coordinate with UF Health and the State of Florida Agency for Healthcare Administration to develop an annual review procedure of the "Charity Cost" report to be tested for compliance with the application of City funding in accordance with the Indigent Care Agreement as of 2005 as amended. Record of testing will be kept but shall be limited by HIPAA data privacy and security provisions. The record may only consist of a check box indicating if each file tested complied with income limits and that zip codes were within Duval County.

10. Treasury Division Check Pick-Up Audit Report #671 (September 2009) / Follow-up Report #717 (July 2012) / Follow-up Report #737 (July 2013)

Based on the responses received from the Treasury Division and our follow-up testing, it appears that the Treasury Division has complied with our audit recommendations.

11. Value Adjustment Board Revenue for 2008 and 2009 Report #688 (October 2010) / Follow-up Report #737 (July 2013)

Based on the responses received from the Value Adjustment Board (VAB), it appears that the VAB has not complied with the remaining outstanding audit recommendation. Internal Control Weakness 8 indicated that VAB's computerized database lacked basic accounting controls that would lock the prior year's information to prevent changes from being made to records within that year. Also, no control was in place to provide an audit trail for changes, corrections, and deletions made to records within the system. Through testing, we found closed VAB year petition record information cannot be deleted, but can still be altered by VAB employees. There is also no audit trail function in the database to determine what changes are made and by whom. The Council Secretary responded and stated that this item remained outstanding.

VAB's Second Response to the Follow-up of Internal Control Weakness 8

Agree Disagree Partially Agree

In accordance with the September 2010 and subsequent reviews, the VAB Petition Record information cannot be deleted and is closed for this function. The only functions that VAB employees can change are addresses, name information or correction, or if the parcel number is miss-keyed. However, no financial information can be altered by VAB employees. Changes as addressed as a possible concern can only be altered by administrative controls as VAB personnel do not have the "rights" within the computer system.

The VAB acknowledges the Auditor's finding and recommendation are accepted with the explanation provided. VAB Staff are performing at a high level of efficiency and proficiency. The City's Cash Receipts Policy, and Duval County Value Adjustment Board Clerk's- Standard Operations Procedures (SOP) are being followed and maintained. Also, the Director and Chief have provided written materials and oral discussions to all applicable personnel to maintain training and office standards. All personnel have been reminded to fill in all areas of the receipt, as referenced in SOP and Cash Policy.

The Duval County VAB Clerk welcomes the opportunity to continue to work with the appropriate personnel of the City of Jacksonville to improve the VAB processes. The Duval County VAB Clerk and VAB Staff are presently moving towards the test phase of a "dot net" system to bring more efficiency.

12. Supervisor of Elections Audit Report #694 (January 2010) / Follow-up Report #737 dated (July 2013)

Based on our follow-up testing, it appears that the Supervisor of Elections and the Accounting Division have complied with our audit recommendations.

We appreciate the assistance and cooperation we received from various departments and agencies in the course of conducting this follow-up review of previously issued reports.

Respectfully submitted,

Kirk A. Sherman, CPA
Council Auditor