



**AUDIT OF ACCOUNTS PAYABLE
AND CASH DISBURSEMENT PROCEDURES**

Exit Conference Date: February 22, 2007

Release Date: March 30, 2007

Report No. 07-11

CITY OF ORLANDO

OFFICE OF AUDIT SERVICES AND MANAGEMENT SUPPORT

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CITY OF ORLANDO

MEMORANDUM

To: Rebecca Sutton, Chief Financial Officer
Raymond M. Elwell, Deputy CFO

From: Beryl H. Davis, CPA, CGFM, Director
Office of Audit Services and Management Support

Date: Exit Conference: February 22, 2007 Release: March 30, 2007

Subject: Audit of Accounts Payable and Cash Disbursement Procedures
(Report No. 07-11)

In accordance with our annual operations plan, the Office of Audit Services and Management Support has performed an audit of Accounts Payable and Cash Disbursement Procedures. Our objectives were to determine: the adequacy of policies and procedures for Accounts Payable and Cash Disbursements; and the extent of compliance with these policies and procedures.

Our audit was conducted in accordance with generally accepted government auditing standards, except that we did not perform tests of data gathered from computer-based resources. We reviewed City Policies and Procedures regarding Accounts Payable and data from the City's financial system, interviewed Accounting and Control Division and other personnel, and performed such other auditing procedures as we considered necessary in the circumstances. The audit period was the seven months ended April 30, 2006.

We determined that the Accounts Payable program is meeting its objectives; there are numerous effective controls over Accounts Payable and Cash Disbursement processes; and, in general, personnel are in compliance with these policies and the procedures are being performed systematically and adequately. This report identifies several recommendations to improve these processes. Appendix 1 outlines some concerns with the City's enterprise resource planning system, used for Accounts Payable, and presents possible solutions suggested by Technology Management personnel. Our scope did not include a review of four City checking accounts for which the Accounts Payable section does not review the disbursements; however, we recommend that the Accounting and Control Division establish City Policies and Procedures for these accounts.

We acknowledge the valuable experience of the Accounting and Control Division officials and employees and the Technology Management Division employees with whom we worked, and their efforts over the past year to improve the Accounts Payable processes both internally and for user departments. We would like to express our appreciation to them for their courtesy and cooperation during this audit.

BHD/am

c: Honorable Buddy Dyer, Mayor
 Byron W. Brooks, Chief Administrative Officer
 Cheryl J. Henry, Chief of Staff
 Mayanne Downs, City Attorney
 Kevin J. Edmonds, General Administration Department Director
 Alan R. Oyler, Public Works Department Director
 Conrad Cross, Chief Information Officer
 Jon D. Mead, C.P.M., Director of Purchasing and Materials Management

EXECUTIVE SUMMARY

Objectives, Scope, Methodology and Results

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The objectives of our Audit of Accounts Payable and Cash Disbursement Procedures were to determine: the adequacy of policies and procedures for Accounts Payable and Cash Disbursements; and the extent of compliance with these policies and procedures.

Our methodology included: interviews of personnel from the Accounting and Control, Technology Management (TM), and Purchasing and Materials Management (Purchasing) Divisions; and obtaining detailed electronic information for the seven months from October 1, 2005 through April 30, 2006, regarding all accounts payable and payment transactions contained in the City's general ledger, JD Edwards (JDE). This information was analyzed using an automated "data-extraction" tool (ACL). We did not test the accuracy of the data in this database but, rather, utilized the information to obtain an understanding of the Accounts Payable and Cash Disbursement processes.

We determined that the Accounts Payable program is meeting its objectives; there are numerous effective policies and procedures over Accounts Payable and Cash Disbursements; and, in general, personnel are in compliance with these policies and the procedures are being performed systematically and adequately. Our scope did not include a review of four City checking accounts for which the Accounts Payable section does not review the disbursements; however, we recommend that the Accounting and Control Division establish City Policies and Procedures for these accounts.

We made several recommendations for improvement, as follows.

Update City Policies and Procedures for Accounts Payable

Page 15

City Policies and Procedures for Accounts Payable have not been substantially updated since 1994. An update should include information from a “Procedures for Accounts Payable” manual currently accessible through the City’s Intranet as well as new procedures recommended in this report.

Adopt Internal Policies and Procedures for Accounts Payable

Page 16

Recently prepared or updated memoranda and a manual contain useful procedures for the Accounts Payable section, but they have not been formally adopted. An internal policies and procedures document should be adopted to include management oversight and additional procedures recommended in this report.

Provide Periodic Reports of Policy Violations Detected by Accounts Payable

Page 17

The responsibilities of the Accounts Payable section personnel include a review to detect errors or violations of policies. Although the majority of invoices are processed without difficulty, there are frequent exceptions with various causes. To improve controls and effectiveness, we recommend that periodic reports be provided by the Accounts Payable section to the CFO, Purchasing, and departmental management about policy violations detected by Accounts Payable during the review process.

Establish Invoice Certification Requirements

Page 18

Accounting and Control should establish the certification responsibilities of user departments in submitting invoices for payment. These user responsibilities, which should be set forth in City Policy, are to ensure that (1) the purchase is valid and serves a public purpose; (2) the ordered goods and services have been received, agree to the order, and are in acceptable condition; (3) the items, prices, and terms as invoiced are in accordance with the contract or order; and (4) the invoice is mathematically correct and charged to a proper account line. Attributing these responsibilities to the user departments should inform them of the importance of the duty they must perform, and ensure that they structure their business processes to accomplish these objectives. Accounting

and Control should also distinguish in City Policy the Accounts Payable section's responsibilities from those of the user departments.

**Update
Approval
Tree/Security and
Remove Authority
to Both Input and
Approve
Transactions**
Page 21

We found that the JDEdwards (JDE) Approval Tree and the JDE security authorizations are not kept up to date. Accounting and Control should require Management and Budget and TM, the responsible divisions, to update the Approval Tree and the JDE security authorizations as soon as users are transferred or leave the City, and verify this periodically.

There are numerous roles in JDE that may be assigned to or restricted from employees, providing effective controls. However, JDE does not record the approver of an Accounts Payable transaction so it is not possible to detect whether an employee both originated and approved a transaction. A thorough review of the existing JDE security authorizations should be conducted, removing the authority for City employees to both input and approve Accounts Payable transactions.

A limited number of employees may continue to be authorized to both input and approve Accounts Payable transactions, such as in the case of a disaster. Accounting and Control should devise a method to monitor all the transactions of any individuals who are assigned this dual authority.

**Review
Emergency and
Other Checks Not
Written on
Regular Days**
Page 26

For efficiency and internal control, user departments are instructed to limit emergency check requests so that as many checks as possible are processed on one day each week. During the seven-month audit period, 227 checks were classified as emergency checks, although approximately 9,600 payment vouchers were processed on days other than the regular check-printing day. (Multiple vouchers may be paid by one check.) We recommend that Accounting and Control better define what constitutes an emergency check and evaluate the checks

being processed on other than the regular check-printing day, to reduce their necessity and to increase efficiency.

Determine that Checks Are Properly Distributed

Page 27

Accounting and Control must ensure that the proper parties receive disbursement checks, whether mailed or picked up in person. City Policy requires individuals who pick up checks, including all emergency checks, to sign and write certain information in a log. Our test found that several checks during the audit period were picked up without all the required information being entered in the log. To strengthen controls over check distribution, we recommend that Accounting and Control prepare written procedures to monitor this log and confirm that checks are being properly distributed.

Explain Need for Petty Cash Accounts and Maintain Suitable Controls

Page 29

We found that, of the 59 petty cash accounts in the general ledger, 39 had zero balances. Accounting and Control should require the departments to maintain proper controls over any petty cash accounts, explain the need for them in order to continue them, and perform occasional surprise counts.

Establish Procedures over Other City Checking Accounts

Page 30

There are four City checking accounts for which the Accounts Payable section does not review the disbursements. These accounts are for Centroplex payments to promoters, Risk Management settlements with claimants, and frequent, relatively small refunds payable from Recreation and Parking. City Policy is silent on how payments from these checking accounts should be processed and controlled. Although responses to our limited inquiry indicated that there are some controls within departments over each of these checking accounts, it is possible that an internal control weakness or noncompliance could exist. We recommend that Accounting and Control create City Policies and Procedures setting departmental responsibility for establishing and maintaining internal controls over the City checking accounts for which it does not review the payment documentation.

**Evaluate Costs
to Prevent
Unauthorized
Charges to
Accounts and
Address Other
Issues
Page 32**

JDE does not prevent City employees from making charges to programs or projects outside their own program authorizations. TM staff informed us of two possible software solutions to limit this possibility, neither of which has received funding to evaluate its feasibility.

The first is referred to as business unit security and has been labeled as highly restrictive, time-consuming, and requiring additional personnel resources. The second possible solution is referred to as a work flow process module, requiring approval from responsible employees when their programs are about to be charged. Both considering and adopting this module would require the engagement of a consultant.

The feasibility of these possible solutions, and their costs, should be addressed concurrently with the City's consideration of a new Enterprise Resource Planning (ERP) system. Other issues with the present JDE software that were noted during this audit are listed at Appendix 1 for management's consideration.

To prevent charges to program and project accounts by unauthorized employees, we recommend that Accounting and Control further research software and business process solutions. It should also provide City Policies and Procedures instructing responsible parties to review and detect possible unauthorized charges to their programs. We also recommend that the Accounting and Control Division compare the cost of correcting current JDE and business process issues with the projected costs of instituting corrections through other ERPs.

**Monitor and
Improve Reports
for Prompt
Payment Act
Compliance
Page 34**

The Florida Prompt Payment Act (FPPA) requires local governments to pay for purchases in a timely manner, allowing from 20 to 45 days, according to the nature of the obligation. It also permits vendors to invoice the local government for interest on unpaid amounts at 1% per month and requires that such interest payments be reported annually

to the City Council.

We found that Accounts Payable has no automated method to determine how many payments are late in accordance with FPPA and there is no efficient way to evaluate whether apparent late payments are appropriate. JDE records indicated hundreds of payments made during the seven-month audit period that appeared to be paid over 60 days after the invoice date recorded in JDE, with numerous payments after 300 days and 19 payments between 400 and 1,490 days.

We recognize that all of these payments may not be “technically” late, as the statutory due date does not begin until a “proper” invoice, as defined by statute, has been received by the City. Invoices are stamped with the date received, but the City does not record in JDE the date that either the original or corrected “proper” invoice is received, so timeliness cannot be calculated accurately. Further, there is no indication in the electronic record of the cause or acceptability of payment delays.

To comply with FPPA and to promote good vendor relations and access to well-priced goods and services, Accounting and Control should request user departments to input the dates that proper invoices were received and to note in JDE the justifications for apparently late payments.

We recommend that Accounting and Control monitor compliance with the Florida Prompt Payment Act, and obtain accurate information through JDE about payment timeliness. We also recommend reporting to the CFO, the CAO, and departmental managers monthly any apparent late payments, and to City Council annually the interest payments that are made.

**Other
Recommendations**

Other recommendations made in this report are to: (a) contact TM to conduct a test of the City's ability to recover and utilize accounts payable and other financial data from offsite backup systems in the event of a disaster; (b) assign a substitute to enter vendor information who does not also have access to enter Accounts Payable transactions; and (c) ensure that all credit and debit memos are recorded separately from related invoices.

BACKGROUND

The City of Orlando's Accounts Payable activities are operated through the Accounting and Control Division, within the Finance Department. The Accounting and Control Division is responsible for the receipt and disbursement of all City funds, payroll processing and financial reporting. Its mission is "to process, maintain and report all financial transactions in accordance with regulatory guidelines while minimizing transaction cost and maximizing internal controls, data integrity and asset security."

The Accounts Payable function, including Cash Disbursements, is performed by the Accounting Operations program, which is one of two General Fund programs, along with Financial Reporting, in the Accounting and Control Division. According to the fiscal year 2005-2006 Annual Budget book, the average of direct and indirect labor costs to process a check in Accounts Payable was approximately \$20 per check.

The budget for Accounting Operations for fiscal year 2005-06 is \$1,166,907, representing approximately 46% of the Division's total budget. Compared to the Accounting Operations fiscal year 2004-05 budget, this was an increase of \$102,895 or 9.67%. Accounting Operations has 19 authorized positions or 63% of the total Accounting and Control Division staffing level. An Accounting Operations Manager, an Accounting Section Manager, and an Accounting Section Supervisor oversee the Accounts Payable and Cash Disbursement functions. From FY 05 through FY 07, the Accounts Payable section has been authorized five Accounts Payable Specialists, and one Accounts Payable Supervisor. In FY 06 a part-time clerical position was added. The Division uses an enterprise resource planning (ERP) system, "JDEdwards" (JDE), for its general ledger and accounts payable operations.

According to Accounting Operations data, Accounts Payable processed 8,732 checks, totaling approximately \$109 million during the first six months of fiscal year 2006.

The term "batch" as used in this report means a group of invoices entered for payment into JDEdwards by assigned departmental employees, and the accompanying Batch Transmittal Form and other supporting paperwork sent to the Accounts Payable section for processing.

SUMMARY OF RECOMMENDATIONS AND RESPONSES

RECOMMENDATIONS

RESPONSES

Each recommendation is classified with a “Criticality Factor”, defined as:

- | | |
|---------------|---|
| HIGH | represents a control risk or needed improvement requiring immediate attention. |
| MEDIUM | represents a control risk or needed improvement requiring attention in the next year. |
| LOW | represents a process improvement that can be addressed at management’s discretion. |

The Accounting and Control Division should:

- | | | |
|----|--|---------------------|
| 1. | Update City Policies and Procedures for Accounts Payable, including key information from the Procedures for Accounts Payable manual and procedures recommended in this report. (HIGH) | Concur |
| 2. | Adopt an internal policies and procedures document to include additional Accounts Payable controls such as review procedures for the supervisor and managers. (MEDIUM) | Concur |
| 3. | Provide to the CFO, Purchasing, and departmental management periodic reports about policy violations detected during Accounts Payable processing. (HIGH) | Partially
Concur |
| 4. | Establish in City Policies and Procedures the user department certification responsibilities in submitting invoices for payment. (MEDIUM) | Concur |
| 5. | Require the responsible divisions to update the JDEdwards Approval Tree and security authorizations as soon as users are transferred or leave the City, and verify this periodically. (HIGH) | Partially
Concur |
| 6. | Conduct a thorough review of the existing JDE security authorizations, removing the authority for City employees to both input and approve Accounts Payable transactions. (MEDIUM) | Partially
Concur |

RECOMMENDATIONS	RESPONSES
7. Monitor all the transactions of the individuals authorized to both input and approve Accounts Payable transactions in emergency situations. (MEDIUM)	Concur with Reservation
8. Assign a different substitute to add and change vendor files, who cannot also enter or modify invoices in JDEdwards. (MEDIUM)	Concur
9. Consult with the Technology Management Division to identify and archive inactive vendors to the extent possible. (MEDIUM)	Do Not Concur
10. Better define emergency checks in City Policy and review both emergency checks and checks routinely written on days other than the regular check-printing day, to reduce their necessity and to increase efficiency. (MEDIUM)	Concur
11. Establish written procedures to monitor the Check Disbursement Listing Form to determine that checks are being properly distributed. (MEDIUM)	Concur
12. Ensure that all credit and debit memos are recorded separately rather than combining them with related invoices payable. (MEDIUM)	Concur
13. Require departments to explain the need for or close petty cash accounts and to maintain appropriate internal controls over them. (MEDIUM)	Concur
14. Create City Policies and Procedures setting the departmental responsibility for establishing and maintaining internal controls over the City checking accounts not currently reviewed by the Accounts Payable section. (HIGH)	Concur with Reservations
15. Further research software and business process solutions to prevent unauthorized charges to program and project accounts, and provide City Policies and Procedures for departments to review for possible unauthorized charges. (MEDIUM)	Concur
16. Evaluate the cost of solving current JDE and business process issues for comparison when considering the projected costs of other ERPs. (HIGH)	Concur

RECOMMENDATIONS	RESPONSES
17. Monitor compliance with the Florida Prompt Payment Act, and obtain accurate information through JDE about payment timeliness. (HIGH)	Concur with Reservation
18. Report apparent late payments to the CFO, the CAO, and departmental managers monthly, and interest payments to City Council annually. (MEDIUM)	Concur with Reservation
19. Contact the Technology Management Division to conduct a test of the City's ability to recover and utilize accounts payable and other financial data from offsite backup systems in the event of a disaster. (HIGH)	Concur

ISSUES AND RECOMMENDATIONS

Objectives, Scope, Methodology and Results

The objectives of our Audit of Accounts Payable and Cash Disbursement Procedures were to determine: the adequacy of policies and procedures for Accounts Payable and Cash Disbursements; and the extent of compliance with these policies and procedures.

The audit data reviewed was for the seven months from October 1, 2005 through April 30, 2006.

Our methodology included: interviews of personnel from the Accounting and Control, Technology Management (TM), and Purchasing and Materials Management (Purchasing) Divisions; and obtaining detailed electronic information regarding all accounts payable and payment transactions contained in the City's general ledger, JD Edwards (JDE) for the audit period. This information was analyzed using an automated "data-extraction" software, Audit Command Language (ACL). We did not test the accuracy of the data in this database but, rather, utilized the information to obtain an understanding of the Accounts Payable and Cash Disbursement processes.

We determined that the Accounts Payable program is meeting its objectives; there are numerous effective policies and procedures over Accounts Payable and Cash Disbursements; and, in general, personnel are in compliance with these policies and the procedures are being performed systematically and adequately. Our scope did not include a review of four City checking accounts for which the Accounts Payable section does not review the disbursements; however, we recommend that the Accounting and Control Division establish City Policies and Procedures for these accounts.

We made several recommendations for improvements in Policies and Procedures, identification of issues, monitoring and collecting data, reporting to management, designation of responsibilities, and compliance with the Florida Prompt

Payment Act, as follows.

Update City Policies and Procedures for Accounts Payable

City Policies and Procedures Section 650.1 (formerly 412.2), “Accounts Payable,” has not been substantially amended since 1994. Thus, the procedures refer to the City general ledger system and methods that were superseded in 1998 by the use of the JDEdwards (JDE) software system. New Accounts Payable methods were adopted when JDE was implemented, and subsequent improvements to procedures have occurred, but these have not been reflected in City Policies and Procedures. While the Policies and Procedures give some guidance to Accounts Payable and departmental user staff, they are well out of date.

To partially remedy this condition, the Accounting and Control Division has placed on the City Intranet, under the “Project FOCIS” icon, several documents called “Rules and Procedures” including one manual called Procedures for Accounts Payable. This 23-page manual was prepared in April and updated September 2006. It provides an up-to-date outline about processing payments in JDE and other aspects of the Accounts Payable function.

While having detailed Accounts Payable procedures outlined in an unofficial manual is beneficial for users who know where to find it, this cannot substitute for up-to-date City Policies and Procedures for Accounts Payable, which carries the necessary authority and ease of accessibility for all City personnel.

The Accounting and Control Division should update the City Policies and Procedures for Accounts Payable, including information from the Procedures for Accounts Payable manual as well as new procedures recommended in this report.

Recommendation 1. We recommend that the Accounting and Control Division update City Policies and Procedures for Accounts Payable, including key information from the Procedures for Accounts Payable manual and procedures recommended in this report.

Response Concur. We will review and revise City Policies and Procedures to include the procedures from the Accounts Payable manual and procedures that are recommended in this report.

Adopt Internal Policies and Procedures for Accounts Payable

Accounting and Control has not formally adopted internal policies and procedures for the Accounts Payable section. We were provided approximately eight memoranda that serve as guidance for the Accounts Payable Specialists. The memoranda address matters such as how to handle purchase order documentation, process travel expenses, and print checks. However, these memoranda do not include controls such as what oversight, supervision, and review the Accounting Section Supervisor, Accounting Section Manager, and Accounting Operations Manager should perform and what documentation of these actions is appropriate. Within this report we also suggest additional control procedures that are not presently addressed by internal memoranda to guide Accounts Payable staff.

The memoranda in current use were prepared or updated in 2005 and 2006, and they are evidence of the recent efforts of Accounting Section personnel to provide updated written direction for processing Accounts Payable. However, there is no indication that the CFO or Accounting and Control Division management formally approved this guidance as internal policies and procedures.

Accounting and Control should adopt an internal policies and procedures document to include all significant Accounts Payable processes, including the review procedures and documentation that the supervisor and managers should

perform and other controls such as those included in this report.

Recommendation 2.

We recommend that the Accounting and Control Division adopt an internal policies and procedures document to include additional Accounts Payable controls such as review procedures for the supervisor and managers.

Response

Concur. We have developed an internal policies and procedures manual that is in the process of departmental approval. This will include additional review procedures that are currently being performed by the managers and supervisor.

Provide Periodic Reports of Policy Violations Detected by Accounts Payable

Accounts Payable is a volume production process that requires attention to many details. The user departments are primarily responsible for entering invoice and purchase information correctly into JDE. The Accounts Payable Specialists' role is to review this information, detect any errors including apparent violations of Purchasing policy, communicate with the user departments about how to correct these, and verify that corrections are properly made.

We noted that, although the majority of invoices are processed without difficulty, there are frequent exceptions that have several possible causes. For a short time in 2006, Accounts Payable Specialists tabulated errors or exceptions, which were then summarized in a report to the Deputy CFO. However, this documentation process was time-consuming, and Accounts Payable employees have not been requested recently to tabulate or report exceptions.

The most prominent example of policy violations that should be corrected relates to invoices presented to Accounts Payable for payment that do not comply with Purchasing policy. If, for example, a purchase exceeds the approval authority granted to management of the user department, the Accounts Payable Specialist must reject the payment

request and instruct the user department to obtain approval of the invoice from the Chief Administrative Officer (CAO). The CAO has indicated that the number of such requests is at an unacceptable level.

From our observations, having Accounts Payable to report policy violations to management could win support to correct improper procedures, reduce the number of exceptions, and save processing time. We suggest that an efficient method be determined to compile data about policy violations detected during the processing of Accounts Payable, for periodic summary reports to be provided to the CFO, Purchasing, and departmental management.

Recommendation 3. We recommend that the Accounting and Control Division provide to the CFO, Purchasing, and departmental management periodic reports about policy violations detected during Accounts Payable processing.

Response Partially concur. Any invoice received that is an apparent violation of purchasing policy will be referred to Purchasing. If a policy has not been violated we will request that Purchasing sign off on the invoice and return to AP for processing. Just as we would not expect purchasing to deal with accounts payable violations, accounts payable will not resolve purchasing violations. This will ensure Purchasing is aware of all violations and will be better positioned to develop preventative measures.

**Establish Invoice
Certification
Requirements**

The Procedures for Accounts Payable manual on the City Intranet has a page allocating certain responsibilities between the Accounts Payable section and departmental users. Although it states that user departments are responsible for “complying with the City’s Procurement Policies and Procedures,” neither this manual nor City Policies and Procedures specifically state that Accounts Payable is relying on the user departments to perform certain fundamental and crucial tasks to verify that purchase

and invoice documentation are correct before submitting the invoices for payment.

In effect, we found that there is no single written authority that outlines what responsibility the user department personnel are taking with regard to presenting invoices for payment, and no written representation is required for the user department supervisors and managers to demonstrate that necessary verifications have been performed for the invoices they approve for payment. We believe that the user departments' supervisors and managers have the necessary knowledge to ensure proper goods and services are received and invoices are correct, but that proper guidance could increase understanding of their responsibilities.

The City does not require certification of the propriety of invoices submitted for payment by user department personnel either through manual or electronic means indicating that each invoice has been subjected to certain verifications before being submitted for payment. City fiscal personnel, who enter the invoice information onto Batch Transmittal Forms and into the JDE system on behalf of others in their departments, have objected to signing a certification, as they often do not have first-hand knowledge of exactly what has been purchased or its purpose. We believe that Accounting and Control should formally notify City fiscal personnel that approval of each batch effectively certifies the invoices and makes the following representations when presenting each invoice for processing by Accounts Payable:

1. The purchase is valid and serves a public purpose;
2. The ordered goods and services have been received, agree to the order, and are in acceptable condition;
3. The items, prices, and terms as invoiced are in accordance with the contract or order; and
4. The invoice is mathematically correct and charged to a proper account line.

Within each department, businesses processes should be structured to accomplish these points. Attributing the above responsibilities to the user departments in City Policies and Procedures should be an effective educator and reminder of the importance of the duty those that approve purchases and invoices are performing.

In turn, this would better distinguish the user department responsibilities from those of the Accounts Payable section making it clear that the Accounts Payable Specialists do not have the primary responsibility for above tasks and their responsibility has been limited to an appropriate level for their classification.

The essential assignment of the Accounts Payable Specialists is to ensure that the payments are made efficiently, accurately and timely, checking to see whether the user departments have entered the invoices accurately and in compliance with City Policies and Procedures. This level of service should be denoted in City Policies and Procedures, defining that the Specialists do not have the primary responsibility to ensure that invoices are correct and agree to orders or contracts and, rather, that these responsibilities lie with the user departments.

Therefore, we believe that the Accounting and Control Division should state in City Policies and Procedures specific language that: the employees who approve invoices are certifying the invoices and taking responsibility for the verification tasks indicated above; and the limited role that Accounts Payable personnel have in this regard.

Recommendation 4. We recommend that the Accounting and Control Division establish in City Policies and Procedures the user department certification responsibilities in submitting invoices for payment.

Response Concur. We will include in our revised policies and procedures.

**Update Approval
Tree/Security and
Remove Authority
to Both Input and
Approve
Transactions**

During our analysis we found three conditions with regard to approval of transactions in the JDE system, which indicate a need to improve segregation of duties and monitoring of security.

1. We found that the Approval Tree is not updated by the Management and Budget Division on a regular basis, although JDE approvers and security roles were updated when a newer version of JDE was adopted in 2004/2005. The Approval Tree lists all the employees authorized as Accounts Payable approvers. We noted 37 employees who are still listed on the Approval Tree who either have left the City or have moved to different positions. Further, we learned that, although TM is normally informed of employee transfers and separations, it does not communicate this information internally to its employees responsible for the JDE application security authorization updates and thus the authorizations are not be promptly ended.
2. The TM Applications Administrator explained that JDE will process an Accounts Payable transaction if it has been approved (i.e., in “approved status”). However, JDE has been programmed not to process a transaction if the employee who inputs (originates) a transaction attempts to perform the step to make it a permanent, active record in the general ledger (i.e., to “post” it). Upon discussion, we found that some employees are presently authorized to both input and approve transactions in JDE. In such instances, neither JDE nor Accounts Payable staff posting the transaction would detect or prevent this. Thus, in some cases, a transaction entered and approved by one individual can be processed without detection. We believe that lack of a policy and control to prevent employees from inputting and approving their own transactions, or a procedure to monitor whether this occurs, is a control weakness.

3. JDE does not keep a record or provide an audit trail of the approver for each Accounts Payable transaction. When a transaction and payment is complete, JDE only records the employees who originate it, post it, and print the check, although several other employees, including the approver, would have been involved in processing that transaction. The TM Applications Administrator informed us that this limitation cannot be corrected in the current JDE version.

Our recommendations are as follows:

Accounting and Control should require the Management and Budget Division, responsible for maintaining the Approval Tree, and TM, responsible for implementing the application security authorizations, to update these as soon as any personnel changes occur. Timely updates would require the responsible divisions to receive from the Human Resources Division frequent notifications of employee separations and reclassifications. Accounting and Control should periodically verify that these notification and update processes are working effectively.

Because JDE does not record the approver of an Accounts Payable transaction and it is therefore not possible to produce a JDE report indicating whether an employee both originated and approved a transaction, we determined with the JDE Applications Administrator that the best solution would be for Accounting and Control, with TM assistance, to conduct a thorough review of the security authorizations of each City employee.

We recommend that the Accounting and Control Division not give authorization through JDE for employees to both input and approve their own Accounts Payable transactions, even though a different individual is required to post the transaction. The control upon which the Accounts Payable process relies, before posting a transaction, is for two individual employees in a user department to originate and

approve the transaction. The posting process does not detect or alert if a transaction has been input and approved by a single individual. Therefore, we believe that specified employees should be authorized as approvers only, and their approval should be sought by the employees who input or change transactions. In offices with limited personnel, a business solution should be sought so that it is not necessary for the same employee to both input and approve a transaction.

The number of employees allowed to both input and approve a transaction should be extremely limited, for example, to those authorized to carry out transactions in the event of a disaster. We recommend that Accounting and Control work with TM to devise a method to monitor of all the transactions of these few individuals for review by the appropriate management.

Accounting and Control should establish these procedures appropriately in City Policies and Procedures. For example, the responsibilities assigned to employees with various security authorizations, such as the important control associated with posting transactions, should be described.

Recommendation 5. We recommend that the Accounting and Control Division require the responsible divisions to update the JDEdwards Approval Tree and security authorizations as soon as users are transferred or leave the City, and verify this periodically.

Response Partially concur. We are dependent upon other City agencies providing notice of employee transfers and separations. The Finance Department will develop operating procedures to ensure security authorizations are disabled as soon as that notification is received.

Recommendation 6. We recommend that the Accounting and Control Division conduct a thorough review of the existing JDE security authorizations, removing the authority for City employees to both input and approve Accounts Payable transactions.

Response Partially concur. Accounts Payable will work with Budget to identify situations where an employee has authority to input and approve transactions. We partially concur because there may be instances, such as limited staff resources, where separation of input and approval may not be possible.

Recommendation 7. We recommend that the Accounting and Control Division monitor all the transactions of the individuals authorized to both input and approve Accounts Payable transactions in emergency situations.

Response Concur with reservation. The Finance Department concurs with this recommendation. However, this will require the assistance of Technology Management to develop an automated reporting mechanism and that may be difficult given their shortage of staff knowledgeable of JDE.

Increase Controls over Vendor Data

An Accounting Specialist is assigned to enter vendor data into JDEdwards. To request a new vendor, the department designee completes an electronic vendor request form and submits it to Accounting and Control. The requester cannot submit the form until all necessary information is completed. The Accounting Specialist reviews the request form, compares it to the vendor's Federal Form W-9 containing essential information including the Federal identification number, and enters the vendor information into JDE. If the department personnel or Accounts Payable Specialists determine a need for a correction to the vendor data, they must provide documentation for the Accounting Specialist to change the JDE vendor record.

Accounting and Control personnel informed us that it controls fictitious vendors and invoices by denying any employee the JDE access to both set up a vendor and to enter invoices in the system. The primary Accounts Payable Specialist assigned to create new vendors does not have access to the Accounts Payable module.

However, when the primary Accounting Specialist is absent

from work, this employee's access to create or edit JDE vendor files is removed and granted temporarily to a substitute to enter vendor information if needed. The control weakness we found in this situation is that the substitute has access not only to JDE vendor files but also to enter or modify invoices in JDE. We believe that Accounting and Control should identify a different substitute for creating or editing vendor files, who does not have access to enter or modify Accounts Payable transactions.

We reviewed the vendor data during the audit period and found that many of the approximately 20,000 vendors lacked data such as full addresses and telephone numbers. We were told it is possible that incomplete data for vendors was entered into JDE during its initial configuration in 1998. While some of the vendor data has been updated and many new vendors have been added, much incomplete and out of date vendor data has accumulated.

We inquired about why vendors that were inactive for several years had not been moved to archives and were told that vendors with any historical activity cannot be purged, as Accounting and Control is maintaining all transaction history in the JDE system since the date it was installed. We found that Technology Management staff can remove from the active vendor files any vendors that have never been used, and we recommend that this take place as soon as possible.

Recommendation 8. We recommend that the Accounting and Control Division assign a different substitute to add and change vendor files, who cannot also enter or modify invoices in JDEdwards.

Response Concur. An alternate backup will be assigned from the Financial Reporting section.

Recommendation 9. We recommend that the Accounting and Control Division consult with the Technology Management Division to identify and archive inactive vendors to the extent possible.

Response

Do not concur. Archiving vendors is a cumbersome process and is not an effective use of limited staff resources.

**Review Emergency
and Other Checks
Not Written on
Regular Days**

According to City Policies and Procedures, if a check is required outside the regular weekly check-printing day, an emergency check request form must be submitted to Accounts Payable, with all proper documentation. User departments are instructed to limit emergency check requests because of internal control and manpower implications. According to the procedure, emergency checks are not mailed and must be picked up in the Accounting and Control Division on the date of issuance, preferably by the vendor.

We found that approximately 9,600 payment vouchers were processed on days other than the regular check-printing day. Multiple vouchers may be paid by one check. We were told, and the data we examined confirmed, that Accounting and Control processes checks almost every day. We were able to determine that some routine checks, such as employee child support and real estate payments must be processed on days other than the regular check-printing day. This indicates that City Policies and Procedures should better define what constitutes an emergency check.

In addition, until we inquired about this, the true emergency checks were not being specially coded in JDE, so it was not possible to distinguish between routine checks that must be paid on days other than the regular check-printing day, and true emergency checks. This condition also made it impossible to determine whether all true emergency checks were picked up and not mailed, as required by City Policy. Effective September 2006, when the Procedures for Accounts Payable manual was posted on the City's Internet, Accounting and Control instructed user departments to assign handling code #6 to emergency checks to distinguish these checks as emergencies.

We recommend that Accounting and Control utilize this code in the future to determine the extent and cause of emergency checks in order to reduce their frequency and to improve efficiency. We also recommend that Accounting and Control review the other checks that are not processed on regular check-printing days to determine whether they too can be reduced in number or grouped into a second regular check-printing day each week and thereby improve efficiency.

Recommendation 10.

We recommend that the Accounting and Control Division better define emergency checks in City Policy and review both emergency checks and checks routinely written on days other than the regular check-printing day, to reduce their necessity and to increase efficiency.

Response

Concur. We will include a detailed definition of an emergency check on our AP Policy.

The AP section had already implemented a way of tracking emergency checks through JDE by assigning a handling code of "6". This was done back in February 2006. The section had also evaluated the checks written outside the regular check-printing day and in October 1, 2006, the check-printing day was changed to Thursdays to accommodate the Payroll transactions. Emergency checks are reviewed to make sure they are "emergencies."

Determine that Checks Are Properly Distributed

Maintaining control over the distribution of all checks written, whether mailed or picked up, to ensure that the proper parties receive the checks, is an important procedure. When Accounting and Control does not mail checks to vendors, City Policies and Procedures require individuals who pick up checks to sign and provide data (e.g., department name, employee number and date) on a log called "Check Disbursement Listing Form." However, there is no written procedure stating how the Check Disbursement Listing Form should be monitored.

We found that 227 checks were noted as emergency checks on this log for the first two quarters of FY 2006. We reviewed 28 of these emergency checks and found that, in eight instances, the recipient did not complete all required information on the Check Disbursement Listing Form. Lack of the requested information weakens this control, which was established to help track and evaluate the propriety of check pick-ups.

To improve control over check distribution, we recommend that Accounting and Control prepare written procedures to monitor the Check Disbursement Listing Form and evaluate the propriety of checks being picked up and otherwise distributed.

Recommendation 11.

We recommend that the Accounting and Control Division establish written procedures to monitor the Check Disbursement Listing Form to determine that checks are being properly distributed.

Response

Concur. We will implement a written procedure for the disbursement of emergency and pick up checks.

Ensure Proper Recording of Credit and Debit Memos

We searched for the credit and debit memo transactions within the invoice voucher data and discovered five debit memos and no credit memos for the audit period.

We learned that the Accounting and Control Division has not enforced the separate recording of the credit and debit memos under the proper document types separately from the related invoices. Instead, the memos were usually recorded in conjunction with the invoices receiving the credit or debit.

The control is intended to better ensure that items or funds associated with debit and credit memos are not converted to personal use. As a result of combining the debit and credit memos with the related invoices in the general ledger, these memos cannot be traced in JDE for effective monitoring by

Accounting and Control.

City Policies and Procedures directs the Accounts Payable section personnel to enter the credit and debit memos, but Accounting and Control plans to change this control to require user departments to enter them and Accounts Payable Specialists to review them. We believe this change is an acceptable approach.

In order to better monitor these memos, the Accounting and Control Division should require user departments to use the proper document types to enter credit and debit memos into JDE and record invoices at the face amounts, not combined with the credit or debit memos.

Recommendation 12. We recommend that the Accounting and Control Division ensure that all credit and debit memos are recorded separately rather than combining them with related invoices payable.

Response Concur. This has already been fully implemented.

Explain Need for Petty Cash Accounts and Maintain Suitable Controls

The Accounting and Control Division's list of the City's general ledger petty cash accounts contains 59 petty cash accounts, including change funds. Of these, 20 ledger accounts had balances ranging from \$50 to \$50,000, and 39 ledger accounts had a zero balance as of April 30, 2006.

The Budget Manager stated that petty cash accounts are set up in the City's general ledger when requested by departments. It is possible that some petty cash accounts were once funded, and then the departments discontinued using them.

Where petty cash accounts are being used, they should be strictly maintained in accordance with City Policy, using proper record keeping and controls, and the responsible departments should perform occasional surprise counts. The departments should explain the need for petty cash accounts

in order to maintain them in the general ledger. Eliminating extraneous accounts from the ledger can simplify departmental and Accounting and Control review processes.

Accounting and Control should request that all departments review, reconcile and justify their petty cash accounts. Any petty cash accounts that are not in use should be closed and deleted from the general ledger.

Recommendation 13. We recommend that the Accounting and Control Division require departments to explain the need for or close petty cash accounts and to maintain appropriate internal controls over them.

Response Concur. The Financial Reporting section will implement this recommendation.

**Establish
Procedures over
Other City
Checking Accounts**

The City has four checking accounts from which payments are made that the Accounting and Control Division does not review in advance of payment. The account balances of these accounts as of March 31, 2006 ranged from \$0 to \$151,328.

The key reasons given for maintaining these accounts are the necessity for immediate payment (Centroplex payments to promoters and Risk Management settlements with claimants) and numerous very small payees (refunds payable from Recreation and Parking). Based upon our limited inquiries, it appears that these accounts have a legitimate purpose for being maintained separately from the City's primary checking account, given the City's business and accounting processes in place.

City Policies and Procedures Section 650.1 "provides policies and procedures for the processing and payment for all goods/services rendered to the City...." It describes generally how transactions should be processed, but does not indicate that only the City's primary checking account is subject to these procedures. It is silent on how payments from other

checking accounts should be processed and controlled.

The Accounts Payable section conducts a detailed review of the invoices and check requests related to the City's primary checking account before processing payments. However, the Accounts Payable section does not conduct a review of the invoices or payments from the other checking accounts to determine if they are made in compliance with City Policies and Procedures.

We were informed that Accounting and Control relies on the departments to maintain controls and compliance over these checking accounts, and thus Accounts Payable managers are not knowledgeable of the internal controls over the payments and monthly bank reconciliation processes within each department. Thus, certain payments for "goods/services rendered to the City" are not controlled in accordance with City Policies & Procedures. Although our limited inquiries indicated that there are some internal controls over each of these other checking accounts, we believe it is possible that an internal control weakness or noncompliance with City Policies and Procedures for Accounts Payable could exist with regard to any of these accounts.

Accounting and Control should determine whether payments of City funds from accounts other than the City's primary bank accounts must comply with this City Policy and the related controls. If not, Accounting and Control should create City Policies and Procedures over checking accounts of this nature and indicate the departmental responsibility for establishing and maintaining compliance with the relevant internal controls.

Recommendation 14. We recommend that the Accounting and Control Division create City Policies and Procedures setting departmental responsibility for establishing and maintaining internal controls over the City checking accounts not currently reviewed by the Accounts Payable section.

Response

Concur with reservations. The Finance Department, in conjunction with departments that have separate checking accounts, will be re-evaluating the need for those accounts as part of the RFP process for banking services.

Evaluate Costs to Prevent Unauthorized Charges to Accounts and Address Other Issues

JDE does not prevent unauthorized City employees from making charges to programs or projects outside their own programs. This is one of the fundamental criticisms that have been made about JDE, although past Accounting and Control management has stated that other controls provide sufficient protection. We believe that, to improve internal controls over the departments' program and project accounts, the Accounting and Control Division should continue to seek a means to limit employees' ability to make charges to accounts outside their authority.

TM's JDE Application Administrator informed us of two possible methods by which charges to programs could be controlled.

The first method was cited in a response to our June 2003 audit report on Budget Development, Monitoring and Change Processes. In it we recommended that the Budget Director consult with TM to determine if there is a practical security control to prevent individuals from charging expenditures to programs or projects that they are not authorized to charge. The former Management and Budget Director partially concurred with the recommendation, stating that although JDE could have been configured with business unit security to prevent unauthorized charges between programs and projects, it would not be practical to implement the control in JDE, as it would become highly restrictive and be very time-consuming, requiring additional personnel resources. This is still the case, according to the JDE Applications Administrator.

A second method would be to consider utilizing a currently owned separate JDE module called "IntraCity." This is a

“work flow” process that would use various “trees” to require approval from responsible employees when their programs are about to be charged. As the current TM employees have no experience with this module, considering and adopting this module would require the engagement of a consultant or training of City staff. Although this has been discussed within Finance and TM, funding to explore the feasibility of this approach has not been allocated and thus a cost estimate for a consultant or implementing the module is not known.

We believe this concern should be considered in connection with the City’s proposed JDE upgrade in comparison to a new Enterprise Resource Planning system (ERP). The costs, related businesses processes and timeline to resolve this and other current issues associated with JDE are all elements that should be addressed concurrently. Other ERP issues we noted during the process of this audit are listed at Appendix 1 for management’s consideration.

We inquired into the current controls to address this situation until a solution can be found. Our research into other governments leads us to conclude that the City’s Accounts Payable section does not have the staff necessary to review the propriety of the program and project accounts being charged. The present alternative control is reliance upon regular departmental review to detect any possible erroneous charges to their programs and projects. This is not a preventive control, and it is not completely reliable as an alternative because of the high volume and variety of transactions that each departmental representative must review. We believe it would be productive for Accounting and Control to specify in City Policies and Procedures that departments review for possible unauthorized charges to accounts, and to provide aids or procedures to support such detection by the departmental reviewers.

Recommendation 15. We recommend that the Accounting and Control Division further research software and business process solutions to prevent unauthorized charges to program and project

accounts, and provide City Policies and Procedures for departments to review for possible unauthorized charges.

Response Concur. This will be added to our Policy and Procedures.

Recommendation 16. We recommend that the Accounting and Control Division evaluate the cost of solving current JDE and business process issues for comparison when considering the projected costs of other ERPs.

Response Concur.

Monitor and Improve Reports for Prompt Payment Act Compliance

The Florida Prompt Payment Act (FPPA), Florida Statute 218.70, requires local governments to pay for purchases in a timely manner. In simplest terms, it provides for the latest payment dates after a proper invoice has been received by the City as follows:

1. Nonconstruction services - 45 days
2. Construction services - 25 *business* days after receipt by a project agent acting on behalf of the City (or 20 *business* days if no agent is involved).

The Statute provides that, if payment is made after the above time frames, the vendor may invoice the local government for interest on the unpaid balance at 1% per month. It also requires the local government to report to its governing body each year the number and total amount of interest payments made.

However, we found that, as a result of the lack of procedures and JDE records and computations to make accurate calculations of the timeliness of payments, Accounts Payable has no automated method to determine how many payments are late in accordance with FPPA, whether any apparent late payments are justified, or to eliminate causes of late payments.

We also found that the City has paid interest amounts to

vendors as a result of late payments under FPPA. However, these interest payments are not separately classified in JDE by the user departments, or tracked for annual reporting to the City Council as required by FPPA.

Accounting and Control has made efforts to promote timely payments as this helps the City to have access to a greater array of vendors and well-priced goods and services. Policies and Procedures section 650.1 includes information about FPPA, defines a proper invoice, and requires disputes to be resolved within 60 days after a proper invoice is received.

Accounting and Control has set a goal to pay invoices within 30 days after the invoice date, which is a shorter time frame than FPPA's standard for nonconstruction invoices. For construction contract invoices, this 30-day goal is effectively shorter than FPPA's 25 business day standard but may be longer than FPPA's 20 business day standard. Because of the complexity of construction contracts, the Public Works Department in its communications with the Accounts Payable section takes responsibility for determining these due dates, and Accounts Payable accepts these due dates.

Our analysis of JDE data for October 1, 2005 through April 30, 2006 indicated that hundreds of checks appeared to be paid well beyond FPPA's 45-day requirement:

<u>Days After Invoice Date</u>	<u>Number of Report Pages</u>
61-90	29
91-120	15
Over 120	20

Dollar amounts ranged up to hundreds of thousands of dollars, with two amounts between \$1 million and \$2 million. Numerous payments appeared to be over 300 days late, with 19 payments between 400 and 1,490 days after the recorded invoice date.

We recognize that some of these payments may not actually be late under FPPA provisions. For example, some payments

could have been delayed for acceptable reasons, such as the handling of disputes in accordance with FPPA; and a portion of the payments greater than 60 days were employee expense reimbursements which are not vendor payments under FPPA.

All necessary information is not recorded in JDE, possibly resulting in inaccurate calculations of timeliness. For example: (1) user departments do not enter the date the City receives the original or subsequent proper invoice; (2) the invoice date often defaults to an earlier contract date; and (3) the user departments are not instructed to indicate in JDE why the payment appears to be late. Thus, one would have to look at the actual documentation for each individual payment to determine if it was indeed timely by FPPA's standards. Further, the standard due date set up in JDE is Accounting and Control's 30-day goal, not FPPA's 45-, 25- or 20-day requirements.

We were provided a June 20, 2006 JDE report for timeliness called "Average Time to Pay" that lists construction payments by vendor, with a JDE calculation between the "due date" and the actual date paid to show how many days payments were early or late. We found a marked improvement in timeliness after Public Works' implementation of our 2005 recommendation to submit payments for timely processing in accordance with FPPA. However, after the February 16, 2006 implementation date, 18 construction-type payments appeared to be more than 30 days late, including 13 payments paid 60 to 384 days after the due date recorded in JDE.

Limitations of this JDE report included: (1) the date the original or a corrected invoice is received by the City is not recorded in JDE, so the FPPA-required 25 (or 20) business days after a proper construction invoice has been received cannot be correctly calculated; (2) the dollar amount for each payment is omitted from this report, which would reveal the impact of possible noncompliance upon the

vendor or the City; and (3) the calculation of the average number of days each vendor was paid early or late does not aid compliance with the FPPA requirement for every payment to be timely.

We believe that the Accounting and Control Division should monitor FPPA compliance and obtain accurate information about the timeliness of payments. It should work with TM to establish the best method for user departments to record the date a proper invoice is received and to note in JDE the justifications for apparently late payments. City Policies and Procedures should include who is responsible for ensuring timely payments, as well as procedures for monitoring and reporting.

Payments that appear late should be reported monthly to the CFO, the CAO, and the department directors. Accounting and Control may provide transparency by measuring and reporting, as Orange County's Accounts Payable section does, how many days it takes to process payments, compared to the time the departments take to approve invoices for payment.

In addition, Accounting and Control should report to the City Council as required by FPPA any interest paid on late payments.

Recommendation 17. We recommend that the Accounting and Control Division monitor compliance with the Florida Prompt Payment Act, and obtain accurate information through JDE about payment timeliness.

Response Concur with reservation. Implementing change to JDE will be directly dependent upon the resource capabilities of Technology Management.

Recommendation 18. We recommend that the Accounting and Control Division report apparent late payments to the CFO, the CAO, and departmental managers monthly, and interest payments to

City Council annually.

Response

Concur with reservation. We will setup an interest expense account to track interest payments made by the City. This will require training the users and AP staff to use this account.

Conduct a Test to Recover Backup Data

The City has offsite backup for its ERP including accounts payable, general ledger and other functions; however, the ability for the City to recover and utilize this data if a disaster were to occur has not been tested.

The ability to meet accounts payable and payroll payment obligations and to conduct and record other business under any circumstances is vital to City operations. Testing of a comprehensive software system is complex and would require cooperation with the City's Technology Management Division.

Recommendation 19.

We recommend that the Accounting and Control Division contact the Technology Management Division to conduct a test of the City's ability to recover and utilize accounts payable and other financial data from offsite backup systems in the event of a disaster.

Response

Concur. This recommendation will be referred to Technology Management.

APPENDIX 1 – JDE/ERP CONCERNS AND POSSIBLE SOLUTIONS

During the course of the Audit of Accounts Payable and Cash Disbursement Procedures, and at the request of the CFO, we remained alert to possible limitations of the JDEdwards enterprise resource planning (ERP) system. We have outlined some of the concerns we identified or that were expressed to us by users of JDE including Technology Management (TM). *The indicated possible solutions were suggested by TM personnel.*

1. Employees can post to program and project accounts of others without their knowledge. A feature for managers to see and approve charges about to be made to their accounts could increase control. *This could be achieved in JDE by program modifications, which requires engaging a consultant.*
2. JDE does not record the approver or track everyone who handles a transaction. *This could be achieved by utilizing the existing work flow module which would require a consultant or additional training.*
3. The user interface in JDE is cumbersome for users. *The next JDE update is scheduled to adopt Oracle's PeopleSoft user interface that is more intuitive, less cumbersome and better liked by customers.*
4. Encumbrances are recorded and tracked in JDE only for purchases made through purchase orders. Because the City's business process allows approximately 90% of the purchases to be made without purchase orders, not all encumbrances are tracked using JDE. *The City's business process for purchases should be evaluated.*
5. The budget-check feature enables users to input purchase requisitions and compare them to the current budget including encumbrances. However, since the City's business process does not require purchase requisitions/orders in the majority of cases, use of the budget-check feature is often not productive. *The City's business process for budget checking should be evaluated.*
6. The City does not have business intelligence reporting. *This is generally bought separately as an enhancement to an ERP. The JDE version released in the autumn of 2006 includes some business intelligence features, such as graphical analysis/presentations.*
7. An upgrade to JDE is being considered. *A Technology Improvement Project (TIP) has been proposed at a cost of approximately \$675,000 for fiscal years 2007/08 and 2008/09. The TIP includes the upgrade software, services and equipment. Equipment needed includes a replacement for the existing AS 400 server, which is no longer under a maintenance agreement and is underpowered for either an upgrade or a new ERP. The estimated time required to upgrade JDE, including business process review, is about 12 months.*
8. Another ERP is being considered. *Oracle has indicated that, after June 2009, it will cease maintenance support for the current JDE version. For comparison, Volusia County entered a contract to upgrade its AMS software over 30 months at a cost of over \$5 million, including a payroll function. A City of Orlando project to implement a replacement ERP could require a similar timeline and cost.*