



# CITY OF ORLANDO

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## Office of Audit Services and Management Support

### MEMORANDUM

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

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

**Re:** Follow-Up Audit of Accounts Payable and Cash Disbursement Procedures  
(Report No. 08-08)

**Date:** March 26, 2008

Attached is a summary of the status of recommendations as determined from our follow-up review of the Audit of Accounts Payable and Cash Disbursement Procedures (*Report No. 07-11*), issued March 30, 2007.

Our procedures consisted of staff inquiries and a review of the status of the recommendations provided by management. Our follow-up review was made in accordance with generally accepted government auditing standards. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

**Three of the 19 recommendations in the original report are implemented, nine are partially implemented, six are planned for implementation and one has not been implemented.**

The Controller indicated that: two of the partially implemented recommendations will be fully implemented when the draft of the updated City Policies and Procedures for Accounts Payable is approved; two when internal policy documentation is completed; one when periodic management reports of policy violations are prepared; one when a new petty cash policy is finished; and one when the Accounting and Control Division obtains from the respective user departments their written controls over payments made from certain City checking accounts.

The other two recommendations that are partially implemented and the six that are planned for implementation depend upon the technical support of the JDE Applications Administrator position that Technology Management (TM) recently filled after a long search. The Controller plans to present to TM the needs according to their priority. Because these will be considered in the context of all the other JDE administration needs, we encourage the Controller to monitor the implementation of these recommendations.

We encourage Finance management to continue its steps to fully implement the remaining recommendations. The status of recommendations not fully implemented is reported to City executive management quarterly. We do not plan to further follow up the recommendation to identify and archive inactive vendors. This recommendation was not implemented as resources are not available and it is of a lower priority.

We express our thanks to the officials and personnel of the Finance Department for their cooperation during this follow-up review.

Mona Mellon, Audit Program Manager, performed this follow-up review.

BHD/er

Attachment

c: Honorable Buddy Dyer, Mayor  
Byron W. Brooks, Chief Administrative Officer  
Joseph M. Robinson, Chief of Staff  
Mayanne Downs, City Attorney  
Kevin J. Edmonds, General Administration Department Director  
Conrad C. Cross, Chief Information Officer  
William C. Mummert, Controller  
Jon D. Mead, C.P.M., Director of Purchasing and Materials Management

**REPLY AND IMPLEMENTATION SUMMARY  
FOLLOW-UP REVIEW OF  
AUDIT OF ACCOUNTS PAYABLE AND CASH DISBURSEMENT PROCEDURES**

#	RECOMMENDATIONS	RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
	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	Partially Implemented	Summer 2008	A draft of an update to the City P&P for Accounts Payable was submitted to the Deputy CFO for approval.
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	Partially Implemented	May 2008	Internal Procedure documentation is 50% completed. They have been written and are being compiled onto a Word document for Management approval.
3.	Provide to the CFO, Purchasing, and departmental management periodic reports about policy violations detected during Accounts Payable processing. (HIGH)	Partially Concur	Partially Implemented	July 2007  Summer 2008	We are sending questionable invoices to Purchasing to attest purchasing procedures have been adhered to and Purchasing contacts the departments.  These procedures are included in our draft of updated P&P. We plan to prepare periodic reports of violations for review by the Controller.
4.	Establish in City Policies and Procedures the user department certification responsibilities in submitting invoices for payment. (MEDIUM)	Concur	Partially Implemented	Summer 2008	We included in our draft of updated P&P.

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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	Planned for Implementation	To be determined	As identified in the current year's Management Letter, the Technology Management Division (TM) has been unable to provide sufficient support to the Finance Department in order to fully implement this recommendation. However, the TM Division Manager recently filled the JDE Administrator position after an 11 month search, indicating he fully expects that any future request for support should be met. We have met with this employee and will prioritize the needs of Accounting and Control. Because of a backlog of JDE-related support requests, we do not know when the Administrator can assist in implementing these recommendations.
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	Planned for Implementation	To be determined	See Comment at Recommendation 5.
7.	Monitor all the transactions of the individuals authorized to both input and approve Accounts Payable transactions in emergency situations. (MEDIUM)	Concur with Reservations	Planned for Implementation	To be determined	See Comment at Recommendation 5.

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8.	Assign a different substitute to add and change vendor files, who cannot also enter or modify invoices in JDEdwards. (MEDIUM)	Concur	Implemented	July 2007	We now have two substitutes that can add or change the address book and can't enter or modify invoices in JDE.
9.	Consult with the Technology Management Division to identify and archive inactive vendors to the extent possible. (MEDIUM)	Do Not Concur	Not Implemented		This recommendation is being deferred indefinitely because of higher priority demands for the new JDE Application administrator.
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	Implemented	March 2007	Detailed definition of what constitutes an emergency for an on demand check was provided to users on 3/17/07 via email. The definition of Emergency checks is included in the revised AP P&P draft.
11.	Establish written procedures to monitor the Check Disbursement Listing Form to determine that checks are being properly distributed. (MEDIUM)	Concur	Partially Implemented	May 2008	Internal Procedure documentation is 50% completed. They have been written and are being compiled onto a Word document for Management approval.
12.	Ensure that all credit and debit memos are recorded separately rather than combining them with related invoices payable. (MEDIUM)	Concur	Implemented	October 2006	We are now using a new document code specifically for Credit Memo's.

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13.	Require departments to explain the need for or close petty cash accounts and to maintain appropriate internal controls over them. (MEDIUM)	Concur	Partially Implemented	April 2008	We are working on a Petty Cash Policy.
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	Partially Implemented	January 2008  Summer 2008	We met with departments and have determined the accounts can't be eliminated in the foreseeable future. We will continue to monitor account balances to ensure they are at minimums.  We will request written internal control procedures from the corresponding departments showing how they are complying with City policy for Accounts Payable.
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	Planned for Implementation	To be determined	See Comment at Recommendation 5.
16.	Evaluate the cost of solving current JDE and business process issues for comparison when considering the projected costs of other ERPs. (HIGH)	Concur	Planned for Implementation	To be determined	See Comment at Recommendation 5.

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17.	Monitor compliance with the Florida Prompt Payment Act, and obtain accurate information through JDE about payment timeliness. (HIGH)	Concur with Reservations	Partially Implemented	To be determined	See Comment at Recommendation 5. We added to our draft of updated P&P a requirement for a date stamp to aid in monitoring compliance.
18.	Report apparent late payments to the CFO, the CAO, and departmental managers monthly, and interest payments to City Council annually. (MEDIUM)	Concur with Reservations	Partially Implemented	To be determined  October 2007	See Comment at Recommendation 5.  Information was presented to Council through a memorandum from the CFO, as suggested by OLA staff. The City paid interest of \$486.72 in total, and was subsequently given a credit from the vendor for a portion of this interest.
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	Planned for Implementation	To be determined	See Comment at Recommendation 5.