

**REVENUE AND FINANCE
ACCOUNTING DIVISION
ACCOUNTS PAYABLE
AUDIT 07-10
APRIL 25, 2008**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

April 25, 2008

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Accounts Payable Audit 07-10

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on Accounts Payable.

The Accounting Division of Revenue and Finance and the Technology and Innovation Department have already taken positive actions in response to our recommendations. We thank the management and staff of all the City departments for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Revenue and Finance Director
James Buckner, Technology and Innovation Director
Steve Daignault, Public Works and Utilities Services Administrator
Cynthia Miller, Growth Management and Development Services Director
Lee Huffstutler, Chief Accountant

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/s/ Vivian N. Walker

Auditor

Not available to sign

Audit Supervisor

/s/ Roger Strout

Audit Director

**REVENUE AND FINANCE
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INTRODUCTION

The Accounts Payable / Federal Funds Accounting Division (Division) of Revenue and Finance is responsible for all bill payments for the City of Tampa. During the audit, the Division had an authorized staff size of eight; however, one position was vacant. Only four positions (including the vacancy) were assigned to process payments.

STATISTICS

<u>Description</u>	<u>FY07</u>	<u>FY06</u>
Purchase Orders Issued	26,276	27,758
Value of Purchase Orders Issued	\$303,059,008	\$309,916,158
Checks Released	84,306	84,085
Value of Checks Released	\$341,983,020	\$297,465,860

Information obtained from FAMIS activity through fiscal year-end 2007 (September 30, 2007).

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY07 Audit Agenda. The objectives of this audit were to ensure that:

1. Payments processed through ADPICs were valid and properly authorized.
2. No duplicate payments were processed.
3. Payments were issued to valid vendors.
4. Electric bills were approved and paid for only services at City of Tampa owned or leased properties.
5. Telephone bills (landlines and cellular) were approved and paid for only valid City of Tampa accounts and/or for city-related business use.

STATEMENT OF SCOPE

The audit period covered Accounts Payable activity that occurred from October 1, 2005, through May 31, 2007. Source documentation, some of which was electronically formatted, was obtained through the Accounts Payable Division of Revenue and Finance. Information was also obtained from the utility and telephone vendors. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial and accounts payable systems. Both systems were previously determined to be reliable and no additional work was deemed necessary.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Payments processed through ADPICs were valid and properly authorized.
2. No duplicate payments were processed.
3. Payments were issued to valid vendors.
4. Electric bills were approved and paid by the Accounts Payable Division without documented user department approval and in a few instances were not always for services at City of Tampa properties.
5. Telephone bills (landlines and cellular) were approved and paid by the Accounts Payable Division without documented user department approval and in some instances were not always for active City of Tampa accounts and/or for city-related business use.

While the findings discussed below may not, individually or in the aggregate, significantly impair City of Tampa operations they do present risks that can be more effectively controlled. Before we completed our audit, General Accounting was in the process of implementing some of the Internal Audit Department's recommendations.

UTILITY PAYMENTS

Currently, utility bills are processed through the normal accounts payable process; however, the invoice is processed by the Accounts Payable Division and not the department that issued the purchase order. Upon processing the payment, the Accounts Payable Division will send copies of the bills to the larger departments (i.e., Parks and Recreation, Wastewater, Water, and Public Works).

In order to determine if the processed utility payments were for valid City of Tampa expenditures, a comparison was performed between an address listing of utility account locations provided by Tampa Electric (TECO) and the information maintained by the Hillsborough County Property Appraiser (an on-line database). There were 33 differences between the address listed by TECO and the address recorded as being city property per the Property Appraiser's records. In reviewing the details of these differences, it was noted that 27 were actually valid city owned facilities. However, for the remaining six, it was noted that the addresses did not exist or the facility was not owned or used by the City of Tampa.

Since one of the six addresses identified above was for leased property, a subsequent review was performed of all known leases initiated through the Parks and Recreation Department. Our review disclosed that the City had been paying for the electric consumption used by the lessees. The lease agreements states: "*Lessees are responsible for the payment of all utilities. However, the lessor agrees that funds may be budgeted to assist with the payment of reasonable electric charges*".

It was also noted that for one lease reviewed above, the final agreement, signed by all parties, could not be located. Therefore, the actual responsibility or obligation of the City was not determined.

It was also noted during our review that numerous accounts showed "zero use". At the end of fieldwork, TECO provided a one month summary spreadsheet of all City of Tampa accounts. This information identified 81 meters with reported 0 (zero) kilowatt hour usage during the month. Although the 81 meters registered zero use, a monthly minimum fee was still charged to the City of Tampa.

Account Activation / Deactivation

A discussion with the Tampa Electric Customer Service Representative for the City of Tampa disclosed that services had been initiated, often verbally, by several different City of Tampa employees, from different areas. Service termination requests were required to be in writing, however, they also were submitted by several different City of Tampa employees, from different areas.

RECOMMENDATION 1

Utility payments should follow the standard process for accounts payable that requires that the most appropriate level of department management review and document approval of the billing, prior to payment, based on services received and accuracy of utility charges. To ensure timeliness of payment, billing statements should be forwarded directly to departments responsible for payment.

AUDITEE RESPONSE (RESPONSE FROM DIRECTOR OF REVENUE AND FINANCE)

Utility invoices are inherently different than other invoices. They are processed immediately by accounts payable (i.e., before departmental review) due to their recurring nature and the importance of maintaining service. Sending these invoices to departments for review before payment could result in less timely payment of the invoices and potentially result in termination of service or payment penalties. Therefore, the review the audit suggests, along with the various recommendations found in the report will be accomplished, but the work will be completed after the invoices have been paid. The accounting office will work with departments to confirm responsibility for all utility bills, confirm that the services billed are legitimate, and repeat these processes on a continuing basis.

RECOMMENDATION 2

Senior management should identify and document who will be authorized to initiate and terminate account activity with Tampa Electric. Once the appropriate individual(s) are identified, Tampa Electric should be contacted and required to follow the established protocol.

Subsequent billing reviews should include comparisons for any new or discontinued accounts and a review performed to ensure that any new requests were by an authorized individual.

AUDITEE RESPONSE (RESPONSE FROM ADMINISTRATOR OF PUBLIC WORKS AND UTILITIES SERVICES)

Management agrees with the recommendation and has designated the appropriate Facilities Management personnel to authorize Tampa Electric to initiate or terminate accounts on behalf of the City of Tampa. Documentation will be drafted for execution by the Mayor and forwarded to Tampa Electric identifying the authorized personnel.

User departments will be instructed to notify the appropriate Facilities Management personnel when discrepancies are noted in their billing indicating either the initiation or termination of services. Facilities Management will review for proper authorization and follow-up with Tampa Electric to resolve any unauthorized activity.

RECOMMENDATION 3

Senior management should also develop a procedure that would help ensure all City-paid utility services provided to properties no longer owned or leased by the City are discontinued.

AUDITEE RESPONSE (RESPONSE FROM ADMINISTRATOR OF PUBLIC WORKS AND UTILITIES SERVICES)

Public Works Management agrees with the recommendation and will work with the Real Estate Division to ensure Tampa Electric is notified when properties are leased, acquired, or sold.

AUDITEE RESPONSE (RESPONSE FROM DIRECTOR OF GROWTH MANAGEMENT AND DEVELOPMENT SERVICES)

The Real Estate Division of Growth Management and Development Services will develop a procedure to inform the appropriate departments when a property is sold.

RECOMMENDATION 4

Management should investigate the need for utility services for all zero use accounts identified during this audit. Additionally, all addresses identified as not owned by, or currently leased from the City of Tampa should be evaluated for appropriateness of payment for Tampa Electric services.

Additionally, the opportunity to recover past utility payments made for services not received by the City should be evaluated.

AUDITEE RESPONSE (RESPONSE FROM ADMINISTRATOR OF PUBLIC WORKS AND UTILITIES SERVICES)

Management agrees with the recommendation and will follow-up on the items identified during the audit. Subsequently, Tampa Electric will be contacted to provide periodic updates of account activity for further monitoring. We will research whether or not any refunds are available for payments of services not received.

RECOMMENDATION 5

Management should determine if the resolution(s) approved for the little leagues and other leased facilities should be enforced with respect to the lessee's paying for all utilities.

If it is determined that the lessee should pay for all utilities, a procedure should be established to help ensure Tampa Electric is notified to bill the lessee directly.

Additionally, the lease agreement with the YMCA on South Himes Avenue should be established in writing and executed through the appropriate documentation and required approvals.

AUDITEE RESPONSE (RESPONSE FROM DIRECTOR OF GROWTH MANAGEMENT AND DEVELOPMENT SERVICES)

The Real Estate Division will coordinate with the appropriate departments to provide the leases for the referenced utilities, so that the appropriate department can determine who should pay utilities. Based upon direction from Parks and Recreation Department, the Real Estate Division will develop a lease for the YMCA on South Himes.

TELEPHONE PAYMENTS

Telephone bills are processed through the financial accounting system as a recurring information system (RIM) entry. Upon payment, the departments are charged for their applicable expenditures through a journal entry and copies of the telephone bills are sent to them by interoffice mail. However, the departments were typically filing the bills away without reviewing them.

Landlines

The City of Tampa hired Comstructure to perform a telecommunications study. The results of the study identified “possible” telephone lines that were no longer required by the City. Our review also noted that a number of the telephone lines identified during the study were not being used. Technology and Innovation Management indicated that they are currently performing follow-up on the information provided by Comstructure.

Using various resources such as the City’s internal phone directory and contacting various major departments, a listing was developed of City active telephone lines. This listing was compared to the April 2007 Verizon telephone billing. Based on this review and factoring in the outbound circuit lines, there were a number of these landline numbers that could not be verified as being assigned to a City employee or location.

Currently, there is no written policy or procedure in place to review the appropriateness of landline charges, prior to payment.

Cellular Telephone Usage (this review did not include Police Department issued cellular phones)

Cellular phone users have been grouped, typically by department, and each grouping is referred to as a sub-account. Each sub-account has a contact person who is assigned the responsibility of accessing their sub-account, via the internet, downloading, and distributing the monthly statements to cellular phone users. The contact person also accepts reimbursement due to the City of Tampa for non-business related calls or services.

The written cellular phone policy, in both the Personnel Manual and on the INET, is not current and does not reflect the current service provider or actual per minute costs to the City. A discussion with various departmental employees responsible for coordination of reimbursements of personal cellular phone calls, disclosed various methods for obtaining reimbursement.

We performed a review of the April – May 2007 cellular phone bills to identify calls made to the employee’s designated home or emergency contact telephone number and/or non-813 area code phone calls. Accounts were selected using the criterion of total minutes used greater than 600 per month. This judgmentally selected sample identified 71 employees.

Of the 71 statements reviewed, documentation for 60 disclosed that cellular calls had been made to either the employee's home telephone number, emergency contact number and/or that some type of data usage (downloads or text messaging) had been billed.

In reviewing the documentation for employee reimbursement, we noted:

- Fifty-nine employees did not provide documentation supporting their reimbursement to the City for personal use. If reimbursements were made, there was no clear indication on the statement that identified which call(s) the reimbursement(s) covered.
- Twenty-eight employees, who appeared to have personal calls, did not either reimburse the City or provide an explanation of why no reimbursement was required. Additionally, there was no follow-up by department personnel.

RECOMMENDATION 6

A written policy and procedure should be established that requires the most appropriate level of department management to be responsible for determining the validity of landline, PDA, and cellular phone charges, prior to payment. To ensure timeliness of payment, departments should be given a timeline within which to support invoices for payment.

The policies should clearly identify what type of call or service is considered non-business use and require reimbursement. Also, in order to be effective, the policy should require monitoring and document the actions to be taken if violated.

AUDITEE RESPONSE (RESPONSE FROM DIRECTOR OF TECHNOLOGY AND INNOVATION)

Technology and Innovation recognizes and concurs with the audit findings and has drafted a new Cellular Phone and PDA policy, which is currently under review. T&I will further assist in working with Revenue and Finance, Human Resources and Administration to further refine the policy to address changes in enforcement and the specified clarification prior to publication.

RECOMMENDATION 7

Technology and Innovation management should research any landlines identified as not assigned to a City of Tampa employee or location and determine if Verizon should be contacted to have them removed from the City of Tampa's account.

AUDITEE RESPONSE (RESPONSE FROM DIRECTOR OF TECHNOLOGY AND INNOVATION)

Technology and Innovation agrees with the audit recommendation and will take the information Internal Audit assimilated and will begin researching and validating the detail findings. The validation process is very time consuming and typically reveals misrepresented billing data from the telecommunications vendor such as static lines to pump stations, elevators, and specialized communications equipment citywide that would understandably appear to not be in use. A detailed report will be prepared for action. This typically takes 3-6 months to develop with a contractor and the telecommunications vendor and T&I will assign a resource to this to begin the reconciliation immediately.