

# Audit Report



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## Citywide Disbursements 2008

Report #0908

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### Summary

Our audit covered the period July 1, 2007, through June 30, 2008. Total disbursements for that period, \$762,983,369, were segregated, for purposes of our audit, into three broad categories: general disbursements, salary payments, and retirement benefit payments.

We found sampled disbursements were proper, authorized, supported, correctly recorded, and in compliance with laws, rules, policies, and procedures. No reportable issues were identified relating to items tested.

We would like to acknowledge the full and complete cooperation and support of applicable City staff during this audit

### Scope, Objectives, and Methodology

The objectives of this annual audit were to determine whether disbursements of City funds were (1) for authorized and necessary purposes; (2) made in accordance with governing laws, rules, policies, and procedures; (3) supported by appropriate documentation; and (4) properly recorded within the City's financial records. The results of this audit are relied upon by the City external auditors and, as a result, increase assurance and reduce the costs associated with the City's financial statement audit.

The scope of this audit included a review of disbursements made during the period July 1, 2007, through June 30, 2008. To address the stated objectives, we selected samples of disbursements by category and reviewed the related supporting documentation, completed

analytical procedures, interviewed applicable staff, and made observations as necessary.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and 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.

### Background

During the period July 1, 2007, through June 30, 2008, the City disbursed funds totaling approximately \$763 million. For purposes of this audit we classified those disbursements into three areas as shown in the following table.

Disbursement Summary		
Category	Transactions	Amount
General	28,155	\$ 566,576,535
Payroll	91,438	\$ 159,276,994
Retirement	14,798	\$ 37,129,840
<b>Totals</b>	<b>134,391</b>	<b>\$ 762,983,369</b>

Note: Excluded from general disbursements is \$56,816,482. The amount excluded represents amounts withheld from salary and retirement disbursements and subsequently remitted to others (e.g., the IRS and insurance providers). This amount was excluded to preclude counting the amount twice as it is also included in the payroll and retirement amounts above.

For each of the disbursement categories we completed analytical procedures, selected samples, and applied test criteria designed to address our stated audit objectives. An overview of the testing performed for each category and the resultant findings are noted in the following sections of this report.

### ***General Disbursements***

General disbursements include all disbursements not specifically identified as part of another category (i.e., salary and retirement). Examples of disbursements audited as part of the general disbursement category included, but were not limited to:

- Payments for the acquisition of services, property, supplies, materials, parts, fuel, and equipment;
- Contractual payments relating to legal services, construction, equipment, and licenses;
- Purchases of goods and services using City purchase cards;
- Payments to other governmental entities (e.g., federal payroll taxes submitted to the Internal Revenue Service); and
- City energy purchases made for natural gas and other source fuels to generate power internally and to supply customers.

We selected 35 sample items from the general disbursements category totaling \$12,321,313. Those items were judgmentally selected based on transaction size (i.e., both large dollar as well as other disbursements were selected) and, in some instances, after consideration of vendors and the nature of the transactions. Test criteria applied to the general disbursements sampled items included verifying that:

- Disbursements were authorized, supported, and for reasonable purposes;
- Appropriate competitive acquisition procedures were followed;
- Payments were made in proper amounts and in accordance with contractual terms and conditions;

- Disbursements were properly recorded in the City's accounting records;
- Sensitive information, such as City purchasing card (P-Card) account numbers of City employees assigned P-Cards, was properly redacted from disbursement records stored in the City's Electronic Document Management System (EDMS); and
- Disbursements were otherwise made and recorded in accordance with established laws, rules, policies, procedures, and sound business practices.

We found that general disbursements were (1) adequately supported and for authorized and reasonable purposes, (2) made in proper amounts, (3) properly recorded, and (4) made in compliance with established laws, rules, policies, procedures, and contractual terms and conditions. No reportable issues were identified relating to general disbursement items tested.

### ***Salary Payments***

Salary disbursements represent payments to individuals for services performed as employees of the City. As of June 30, 2008, there were 2,872 City employees working in authorized positions. In addition, the City employs individuals in temporary positions, with the number of temporary employees varying throughout a given period. During the period July 1, 2007, through June 30, 2008, the City employed and paid 1,086 temporary employees.

We selected and tested a sample of 20 salary disbursements totaling \$40,953. These 20 disbursements pertained to 20 employees, 19 of whom were full time regular employees filling authorized positions. One of the 20 employees was classified as a temporary employee. Audit criteria applied to the 20 salary disbursements included, but were not limited to, verifying that:

- Employees existed and were employed during the sampled pay periods;

- Employees' gross and net pay were properly authorized, calculated, and supported by appropriate leave and attendance records;
- Payroll deductions were proper and supported by appropriate employee authorizations where applicable; and
- Disbursements were properly recorded in the financial records.

We found that the salary disbursements were (1) made to employees that existed and that were employed during the sampled pay periods, (2) made in the proper amounts, (3) authorized and supported by adequate documentation, and (4) properly recorded in the financial records. No reportable issues were identified relating to salary payment items tested.

### ***Retirement Benefit Payments***

Retirement benefit payments represent pension disbursements to retired employees and their designated beneficiaries/annuitants. This category also includes disability and pre-retirement benefits that are paid to disabled employees or to employees' designated beneficiaries in the event an employee is disabled or dies while employed with the City. In addition, refunds of pension contributions to terminating employees are included in the category. At June 30, 2008, retirement benefits were being paid to 1,499 individuals, a 6.77% increase over the 1,404 individuals receiving retirement benefits at June 30, 2007.

For the retirement disbursements category, we selected and tested pension disbursements pertaining to 14 individuals during the period July 1, 2007, through June 30, 2008. The tested payments totaled \$587,667 and were comprised of:

- Payments from the City's defined benefit pension plan, totaling \$72,813, to two individuals that retired during the audit period;
- Payments from the City's defined contribution plan, totaling \$252,603, on

behalf of two individuals that retired during the audit period;

- Payments from the City's defined benefit pension plan, totaling \$11,496, to seven individuals that retired prior to the audit period;
- Pension refunds, totaling \$103,413, paid to two terminating employees; and
- Death benefits of \$147,342 paid to a beneficiary of a deceased employee.

Test criteria applied to these sampled transactions included verifying that:

- Retirees had completed the minimum years of City service required to be eligible for retirement benefits (defined benefit and defined contribution plans);
- Pension/benefit payments were made in proper and accurate amounts based on the former employees' years of service, salary histories, pension plan types, payment options selected by the retirees, and other factors (defined benefit plan);
- Amounts contributed to eligible retiring employees' defined contribution accounts were correct in amount and based on the proper factors (defined contribution plan);
- Cost of living adjustments were properly determined and applied to retirement benefits (defined benefit plan);
- Deductions from retirees' pension payments were authorized and proper (defined benefit plan); and
- Benefit payments were made only to the eligible retirees/disabled employees or their designated beneficiaries/annuitants (defined benefit and defined contribution plans).

We found that pension benefits were properly and accurately calculated and properly paid to the sampled retirees or their beneficiaries. No reportable issues were identified relating to retirement benefit payments for items tested.

## **Conclusion**

It is our opinion that City disbursements during the period July 1, 2007, through June 30, 2008, were (1) for authorized and necessary purposes; (2) made in accordance with established laws, rules, policies, and procedures; (3) supported by appropriate documentation; and (4) properly recorded in the City's financial records. No reportable issues were identified. Given the complexities and diversity of City business, we commend City staff for their efforts in ensuring that disbursements of City funds were proper.

We would like to acknowledge the full and complete cooperation and support of applicable City staff during this audit.

## **Appointed Officials' Response**

### **City Manager Response:**

We have reviewed the City Auditor's report related to the Citywide Disbursements 2008 Audit and are pleased that to see that no reportable issues were identified and that citywide disbursements are properly authorized, supported by appropriate documentation, correctly recorded within the city's financial records and in compliance with laws, rules, policies and procedures. We would like to thank the City Auditor's staff for their time and effort on this audit.

### **City Treasurer-Clerk Response:**

We are very pleased that the audit found that pension benefits were properly calculated and paid correctly to beneficiaries and that there were no reportable issues. We appreciate the Auditor's thorough review of pension disbursements.

Copies of this Audit Report #0908 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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