

Final Audit Follow-Up

As of March 14, 2013



**T. Bert Fletcher, CPA
Interim City Auditor**

Citywide Disbursements 2009

(Report #1013, Issued April 30, 2010)

Report #1311

April 2, 2013

Summary

This report addresses the status of the one action plan step remaining to be completed for issues identified in our initial audit report #1013, Citywide Disbursements 2009. That remaining action plan step pertained to the Treasurer-Clerk's development, and presentation to the City Commission, of a proposed policy addressing participation in the City's health insurance program by certain classes of terminated employees, retirees, and family members of deceased retirees. A policy was prepared by the Treasurer-Clerk's Office and submitted to the City Commission for their review and approval. The City Commission approved the policy on March 13, 2013. As a result, all action plan steps have now been completed.

In audit report #1013, issued April 30, 2010, we reported that disbursements of City funds were generally proper, authorized, supported, correctly recorded, and made in accordance with established laws, rules, and procedures. However, we identified areas where improvements should be made. A total of six action plan steps were established by applicable City departments and offices to address those areas. In our initial follow-up report (report #1109 dated May 6, 2011) on that audit, we reported those departments/offices timely completed five of the six action plan steps.

The remaining step involved revising City policies to address which terminated employees and family members of terminated employees and deceased retirees will be allowed to participate in the City's health insurance program. The absence of a policy in the past to address situations when an employee terminates but does not concurrently retire (i.e., commence receiving City pension benefits) resulted in several former City employees receiving City-subsidized health care benefits without apparent

expressed or implied authority. As reported in our initial follow-up report (report #1109), the Treasurer-Clerk's Office stopped similar incidents from occurring in the future. As also reported in report #1109, the Treasurer-Clerk consulted with the City Attorney's Office and Human Resources and took actions to address the specific individuals identified in the initial audit (i.e., terminated employees, certain retirees, and certain family members of deceased retirees) that were allowed to participate in the City-subsidized health insurance program without clear authorization for that participation.

In our second follow-up report (#1206), we noted the Treasurer-Clerk's Office prepared and presented an initial draft of a proposed policy on retiree health care to the City's Financial Viability of the Government Target Issue Committee (Financial Viability Committee). As also reported, the Treasurer-Clerk's Office was requested to revisit the proposed policy and resubmit the policy to the committee in a subsequent meeting. Our current follow up showed the Treasurer-Clerk's Office revisited the policy and resubmitted the proposed policy to the Financial Viability Committee on February 13, 2013. As requested by the two City Commissioners on the Financial Viability Committee, the proposed policy was submitted to the full City Commission for review and approval on March 13, 2013. The policy was approved by the Commission. Accordingly, this last remaining action plan step has now been completed.

Scope, Objectives, and Methodology

This follow up audit was conducted 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.

Original Report #1013

The scope of report #1013 included a review of City disbursements made during the period July 1, 2008, through June 30, 2009, by all City departments. Severance payments made to terminating employees under the City's "voluntary incentive (VSI) program" and the City's approved layoff policy/compensation package, during the quarter ending September 30, 2009, were also included in the scope of this audit.

In addition, our audit included a review of health insurance benefits paid by the City on behalf of certain former employees during the past several years. Those "Other Post Employment Benefits (OPEB)" were addressed as we became aware of them during our planned audit testing.

The primary objectives of the audit were to determine whether the disbursements of City funds were:

- for authorized and necessary purposes;
- made in accordance with governing laws, rules, policies, and procedures;
- supported by appropriate documentation; and
- properly recorded within the City's financial records.

The audit disclosed that, generally, disbursements were proper, authorized, supported, correctly recorded, and made in accordance with established laws, rules, and procedures. However, we did note instances where controls were not in place or operating effectively to ensure proper disbursements of City funds in accordance with City policies and procedures.

Report #1311

This is our third and final follow-up on action plan steps identified in audit report #1013. The purpose of this audit follow-up is to report on the progress and status of the Treasurer-Clerk's efforts to implement the one remaining action plan step regarding establishment of a City Commission policy that addresses participation in the City's health insurance program by certain classes of terminated employees, retirees, and family members of deceased retirees. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Background

During the period July 1, 2008, through June 30, 2009, the City disbursed funds totaling approximately \$732 million. For purposes of our initial audit, those disbursements were classified into three areas: (1) general disbursements totaling approximately \$532 million, (2) payroll disbursements totaling approximately \$161 million, and (3) retirement disbursements totaling approximately \$39 million.

Severance payments, a fourth category of disbursements addressed by our audit, were made to 107 terminating employees during the quarter ending September 30, 2009. Those payments totaled \$1.5 million.

Previous Conditions and Current Status

In report #1013, we identified the need for several improvements. Six action plan steps were developed to address the applicable issues.

As reported in our initial follow-up report (#1109) issued May 6, 2011, five of the six action plan steps had been completed as of March 31, 2011. The one remaining action plan step was subsequently completed on March 13, 2013, with the City Commission's approval of a commission policy addressing participation in the City's health insurance program by certain classes of terminated employees, retirees, and family members of deceased retirees. **Table 1** below identifies the action plan steps and describes the current status.

Table 1	
Action Plan Steps from Report #1013 and Current Status	
Action Plan Steps	Current Status
Ensure disbursements are in accordance with governing laws, rules, policies, and procedures	
<i>Electric Utility</i>	
<ul style="list-style-type: none"> Appropriate efforts will be made to recover the \$486 overpayment for labor maintenance services. 	✓ Completed in a prior period.
<i>Treasurer-Clerk's Retirement Section</i>	
<ul style="list-style-type: none"> Procedures will be implemented specifying the frequency at which the City's records of active retirees will be updated and uploaded into a vendor database (to search national and state death files to identify deceased retirees). 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Procedures will be implemented that require direct verification by Retirement Section staff of non-City service claimed by City employees for pension credits. 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Procedures will be implemented that require the Retirement Section to retain documentation from Prudential of retiring/retired employees account balances on the effective date of their MAP payments. 	✓ Completed in a prior period.
Ensure the City funds health insurance benefits only for authorized individuals	
<i>Treasurer-Clerk's Office/Human Resources/City Attorney's Office</i>	
<ul style="list-style-type: none"> The appropriateness of allowing terminated employees, certain retirees, and certain family members of deceased retirees to participate in the City's health insurance program under the circumstances described in the initial audit will be reviewed and determined. For any instances determined not appropriate, that participation will be terminated. 	✓ Completed in a prior period.
<ul style="list-style-type: none"> A new City policy will be developed and adopted (or existing policies revised) that addresses which terminated employees, and family members of terminated employees/deceased retirees, will be allowed to participate in the City's health insurance program. 	✓ In audit report #1013, issued April 30, 2010, we questioned the appropriateness of allowing certain terminated employees, retirees, and family members of deceased retirees to participate in the City's health insurance program. Those instances were questioned as there was no apparent express or implied authority for the participation. In our initial follow up on this issue (report #1109 dated May 6, 2011), we reported the Treasurer-Clerk's Office took actions to address the specific instances of questioned participation. Those actions included termination of participation for some of the identified participants and allowed continuation of participation for other participants, as determined appropriate by the City Treasurer-Clerk based on the individual circumstances and after consulting with the City Attorney's Office. As reported in that initial follow-up report, the Treasurer-Clerk's Office, in conjunction with the City Attorney's Office and Human Resources, was in the process of developing a City policy to specifically address the circumstances under which former employees and their beneficiaries will be allowed to participate in the City's health insurance program.

	<p>As reported in our second follow-up on audit report #1013 (report #1209 issued February 17, 2012), the City Treasurer-Clerk presented, on March 11, 2011, an initial draft of a proposed policy on retiree health care to the City's Financial Viability of the Government Target Issue Committee (Financial Viability Committee). Minutes of that committee meeting indicated the Treasurer-Clerk's Office was to revisit the draft policy and resubmit the policy to the committee in a subsequent meeting.</p> <p>Our current follow up showed the Treasurer-Clerk's Office revisited the policy and, after consultation with the City Attorney's Office, resubmitted the proposed policy to the Financial Viability Committee on February 13, 2013. As requested by the two City Commissioners on the Financial Viability Committee, the proposed policy was submitted to the full City Commission for review and approval on March 13, 2013. The policy was approved by the Commission. Accordingly, this last remaining action plan step has now been completed.</p>
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Table legend:

- Issue to be addressed from the original audit

- ✓ Issue addressed and resolved

Conclusion

As noted above in **Table 1**, each of the six issues identified in audit report #1013 have been addressed and resolved through completion of established action plan steps. The one action plan step specifically addressed by this follow up engagement included (1) preparation by the Treasurer-Clerk's Office of a proposed commission policy regarding participation in the City's health insurance program by certain classes of terminated employees, retirees, and family members of deceased retirees and (2) adoption of that policy by the City Commission. That policy was reviewed and approved by the City Commission on March 13, 2013. Adoption of this policy should help the City ensure City health insurance benefits are provided only to authorized individuals under appropriate circumstances.

We appreciate the cooperation and assistance the Office of the Treasurer-Clerk provided in this audit follow-up.

Appointed Official's Response

City Treasurer-Clerk:

We are pleased that the final action step in connection with this audit has been satisfactorily concluded. Staff have followed the policy in question since it was drafted in 2011; however, recent approval by the City Commission provides appropriate closure to this item. We appreciate the City Auditor's diligence in following this action step to its completion.

Copies of this Final Audit Follow-Up or audit report #1013 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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