



March 21, 2019

To: Emory Roberts, Director of Finance and Customer Service

From: Randall Bridgeman, Interim Internal City Auditor

A handwritten signature in blue ink that reads "Randall Bridgeman".

Re: Financial Statement Audit Assistance - Project No. 2018-09

We have completed our financial statement audit assistance testing as scheduled per the FY 2019 Internal Audit Plan. The objective of the audit work was to provide internal control narratives and test transactions related to City operations. The audit work was conducted by Alice Garner, Randall Bridgeman, and Phillip Vincent.

To accomplish our objective, we inquired with City staff, documented internal control processes, selected samples of transactions, inspected supporting documentation and tested transactions for attributes.

Our audit work included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our audit period was October 1, 2017 through September 30, 2018. However, transactions, processes and situations reviewed were not limited by the audit period.

During our transaction testing, we found some minor exceptions that in our opinion do not reflect on the adequacy of the internal controls in place.

We appreciate the cooperation and assistance provided by the City department staff contacted during the course of our work.

Cc: Ocala City Council Members  
John Zabler, City Manager  
Sandra Wilson, Deputy City Manager  
Bill Kauffman, Assistant City Manager  
Ken Whitehead, Assistant City Manager

## **BACKGROUND:**

As a part of the City's FY 2018 financial statement audit, the Internal Audit department provides assistance to the external auditors, Purvis Gray & Company. This assistance includes documenting the internal controls in place for a variety of financial areas, as well as, testing transactions and documentation for exceptions to specific attributes. This year we applied 559 hours to complete the project.

## **RESULTS OF TESTING:**

Our audit work was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Results of Testing presented in this report may not be all-inclusive of areas where improvement may be needed.

### **1. Accounts Payable**

We selected a random sample of 60 checks and tested the transactions to determine whether accounts payable are adequately supported, properly approved, and are coded to the proper account in the financial system.

No exceptions were noted.

### **2. Construction-in-Progress**

We selected a sample of 15 Construction-in-Progress (CIP) projects based on materiality thresholds established by the external auditors. We tested each project's related transactions to determine whether additions are adequately supported, are coded to the proper accounts in the financial system, and are posted in the proper period.

As a result of our testing, we found the following:

- a. Two transactions totaling \$26,455.39 were recorded in FY 2018 but were for expenses incurred in FY 2017.
- b. Three transactions totaling \$12,925.00 were recorded in FY 2019 but were for expenses incurred in FY 2018.

### **3. Electronic Fund Transfers**

We selected a random sample of 25 electronic fund transfers (EFT) and tested the transactions to determine whether EFTs are adequately controlled and properly supported, approved, and recorded.

No exceptions were noted.

### **4. Inventory Observations**

We observed the inventory process related to the physical inventory counts in the wire sheds, the warehouse, the Ocala Golf Club pro shop and the fuel storage tanks maintained

by Fleet Management. Based on our observations, the physical inventory counts were complete.

In addition, we performed physical verifications of 56 City owned vehicles listed on the City's Capital Asset Listing and noted no exceptions during our testing.

We did note an overall improvement in the annual wire shed and warehouse inventory process which was managed by the Finance department and performed by City staff for FY 2018.

However, we found the following opportunity for improvement with respect to the counts at the wire sheds and the warehouse. Management should ensure that the reconciliation of the physical counts with the data in the financial system are reconciled in a timely manner.

#### **5. Payroll**

We selected a random sample of 50 bi-weekly payroll payments and tested the transactions to determine whether the payments were properly approved, accurately calculated, for time the employee worked, and coded to the proper accounts in the financial system.

No exceptions were noted.

#### **6. Pensions**

We selected a random sample of 60 pension payments and tested the transactions to determine whether the payments are properly approved, adequately supported, and are coded to the proper accounts in the financial system.

No exceptions were noted.

We also selected a sample of 10 new hires and tested them for various attributes. We determined that the Other Post-Employment Benefit information recorded on the census data was accurate and complete based on the data recorded in the financial system.

No exceptions were noted.

#### **7. Procurement Cards**

We selected a random sample of 40 procurement card (p-card) payments and tested the transactions to determine whether the p-cards are properly authorized, and transactions are adequately supported, are for a valid business purpose, and are coded to the proper accounts in the financial system.

As a result of our testing, we found the following:

- a. In one transaction, the P-card Request Form was not approved by the ACM or a designee.
- b. One transaction was not for a business purpose.
- c. Two transactions included Florida sales tax.

#### **8. Search for Unrecorded Liabilities**

We selected a sample of 120 invoice payments based on materiality thresholds established by the external auditors. We tested the invoices to determine whether the payments were posted in the proper fiscal year.

No exceptions were noted.

#### **9. Travel Reimbursements**

We selected a random sample of 25 travel reimbursements and tested the transactions to determine whether the reimbursements were properly approved, adequately supported, and coded to the proper accounts in the financial system.

As a result of our testing, we found the following:

- a. In one reimbursement, an incorrect per diem rate was reported and paid. The employee has since repaid the difference.
- b. Three expense reports had receipts for purchase card transactions that were not included in the total amount of travel. There was no effect on the amount of reimbursement to the employee, as the transactions were not related to mileage or per diem.

#### **10. Utility Billing**

We selected a sample of 50 utility bills and tested them to determine whether the billings were properly calculated, reflect proper services provided to the customer type, are adequately supported, and are coded to the proper accounts in the financial system.

No exceptions were noted.