



JACKSONVILLE CITY COUNCIL

**TRUE COMMISSION
ACCOUNTS PAYABLE AUDIT COMMITTEE
REVISED MEETING MINUTES**

October 6, 2008

4:00 p.m.

**City Council Conference Room A
Suite 425, City Hall
117 W. Duval Street**

Attendance: Committee Members Pam Korn, Nicole Lester, and Joe Andrews
Guest: TRUE Chairman John Palombi, Kyle Billy – Council Auditor’s Office

The meeting was called to order at 4:01 p.m. by John Palombi who briefly explained the process by which the TRUE Commission considers Council Auditor audits - first an initial review by a single member and then, if they feel that the report warrants it, by a larger subcommittee of the commission over the course of several meetings.. After reviewing Audit #654, Accounts Payable, he believed that the audits findings and the auditee’s responses to the Auditor’s recommendations warranted the appointment of a committee which is gathered today to determine how best to proceed.

Mr. Palombi stated that he had met in September with the City’s Chief Financial Officer, Director of the Information Technology Department, Procurement Division Chief and Comptroller to discuss the audit’s findings. He believes their responses were inadequate. Saying “the problem lies somewhere else” or “we recognize that there’s a problem, but we don’t have the plan or the resources to fix it” is simply not responsive and does nothing to commit to solving the acknowledged problems. Assistant Council Auditor Kyle Billy explained that the department’s responses included in the audit report were actually the third set of responses; the Auditor’s Office found the first two sets of responses inadequate and negotiated with the department to get as far as the third set, recognizing that the responses are still not entirely satisfactory. The Auditor’s Office plans to check back with the department in 1 - 2 years as is their usual practice to determine the status of compliance with the recommendations.

Mr. Palombi stated his belief that there appears to be a real weakness in the City’s ability to identify internal problems and to assign responsibility and resources to correct those problems. No one appears to have the overall responsibility for getting problems and issues elevated from isolation in the City’s departmental and divisional “silos” to the attention of some person or agency higher up the chain of command that has the ability to prioritize responses and command resources to deal with these cross-cutting issues. The TRUE Commission has seen and commented on numerous instances of audits pointing out similar problems in multiple departments and agencies (i.e. cash management practices, contract management and oversight procedures), but the issues never seem to be recognized as overarching problems of the City administration as a whole and are never addressed on a Citywide level. He believes the Accounts Payable Audit is a good example of an audit pointing out fundamental weaknesses that must be addressed on a broader basis than just tweaking the accounts payable system. It points out the overall weakness in coordinating procurement and contract management among multiple agencies (Procurement Division, Information Technologies Department, procuring departments, General

Accounting Division), a problem which must be solved if the conversion to an entirely new financial management, accounting and procurement computer system is ever going to be successful. For example, the JaxPro procurement system was implemented in November 2007 and apparently has yet to work properly a year later. The original contract specifying exactly what the system was to be and what capabilities it would have was apparently poorly written and the system ultimately installed was based in part on informal verbal agreements between the vendor and the City about what needed to be done to produce a usable system. The vendor (Periscope) has since agreed to produce four software fixes for identified system problems, which is now underway.

Pam Korn was of the opinion that the issues described by Mr. Palombi far exceed the scope of the Accounts Payable audit. If these are overall systemic problems with City administration, then perhaps a two-phase process is in order – a study and recommendations on Audit #654 specifically, then an entirely separate process and/or committee to delve into the broader issues of contract management, financial technology, problem identification and process improvement, etc.

Mr. Palombi believes that the City needs to have project managers with real authority and power to control resources, command corrective action, and get things done. Someone or some group has to pull together the threads of issues identified by the Council Auditor, Inspector General, TRUE Commission, City Council, and others, recognize the fundamental problems that underlie the issues and cut across departmental boundaries, raise those fundamental issues to the attention of the Mayor, Chief Administrative Officer, Director of Administration and Finance and Director of Information Technology, and then oversee the fundamental changes that will solve the problems. There appear to be too many instances of miscommunication, non-communication, or outright refusal to comply with mandated policies and procedures on the part of some departmental personnel, and apparently no consequences for those who refuse to cooperate with management directives.

Ms. Korn suggested that the need for an “integrated correction management system” was worthy of a committee of its own. The committee could review several years’ worth of audits and document how many of the recommendations were satisfactorily accomplished by the auditees. Commissioner Lester suggested that the audit process include a specific, standard question requiring a response from the auditee – what is your timeline for implementing these recommendations and who is responsible for the implementation? Then that information would be included as a part of the audit report and accountability should be easy to track. Kyle Billy stated that the Auditor’s Office, for reasons of economy and time constraints, adopted a policy of performing an annual examination of all audit recommendations that are over one year old and prioritizing follow-up resources and attention based on the areas of greatest need.

Ms. Korn suggested that the committee members undertake two tasks before the next committee meeting. First, each member should make a list of ideas or sketch out a process for how, ideally, the City administration should respond to audits. What should be the mechanism for deriving the most benefit out of the audit findings and ensuring that policy, procedure and resource allocation changes are implemented to solve the problems identified? Second, the members should review the two documents distributed by John Palombi at today’s meeting recounting his meetings with City procurement, accounting and information technology personnel on September 10 and 15, 2008 and prioritize his findings and recommendations for future committee study and action.

The committee discussed potential meeting times and agreed that late afternoon on Monday was a convenient time for the group. The next meeting will be held on Monday, October 20th at 4:00 p.m.

There being no further business, the meeting was adjourned at 5:50 p.m.

Jeff Clements, Chief
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630-1405

Posted 10/9/08
11:40 a.m.