



City Accounts Payable Audit - #892

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Accounts Payable function within the City's General Accounting Division.

Chapter 24, Part 3 of the City's Municipal Code establishes the Accounting Division, which is responsible for maintaining the general accounting system and records of the Consolidated Government. Additionally, Chapter 24, Part 2 of the Municipal Code establishes the Treasury Division, which is responsible for the custody, investment and disbursement of all funds belonging to the Consolidated Government.

Accounts Payable staff within the Accounting Division are tasked with the centralized processing of payments for purchases made on behalf of the City. This includes payments to vendors, agencies, and individuals relating to contractual payments, employee reimbursements, travel expenses, purchasing card expenses, employee payroll deductions, and customer refunds. The City primarily issues payments via the Automated Clearing House (ACH) system, wire transfers, and checks. Between August 1, 2023, and January 31, 2024, the Accounting Division processed over 46,000 invoices and issued 17,325 payments totaling \$1,490,145,003.

What CAO Found

While it appears that payments to vendors were overall accurate in amount and properly supported and approved, we did find several significant issues and control weaknesses that need to be addressed related to those areas as described below. Additionally, payments did not appear to be issued in a timely manner. Specific issues included:

- deficiencies in the written policies and procedures relating to the accounts payable function. Several critical processes were not documented, lacked essential details, or were outdated after the switch to the new financial system in February 2020.
- users had excessive access rights in the financial system related to the Accounts Payable process.
- a total of 241 user accounts in the financial system belonging to former City employees or accounts created for individuals going through the hiring process who never started employment had not been deactivated as of September 9, 2024.
- changes were made to suppliers' bank account information by Accounting Division employees with most of the changes being made by the employee responsible for creating payments in the financial system.
- duplicate payments of over \$3.8 million that were subsequently identified and corrected by the City.
- timeliness issues with payments, bank reconciliations, and processing of credit memos/requesting refunds.
- City departments creating "cover letters" to act as invoices to facilitate the financial system more easily being able to process payments.
- duplicate supplier accounts in the financial system.
- invoices not being properly linked to a purchase orders.

What CAO Recommends

We recommend that the Accounting and Treasury Divisions implement policy, procedures, and processes to address the items noted above as explained in detail in the report.



Council Auditor's Office

City Accounts Payable Audit

June 10, 2025

Report #892

EXECUTIVE SUMMARY

AUDIT REPORT #892

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



June 10, 2025

Report #892

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Accounts Payable function within the City's General Accounting Division. Chapter 24, Part 3 of the City's Municipal Code establishes the Accounting Division, which is responsible for maintaining the general accounting system and records of the Consolidated Government. Additionally, Chapter 24, Part 2 of the Municipal Code establishes the Treasury Division, which is responsible for the custody, investment and disbursement of all funds belonging to the Consolidated Government.

Accounts Payable staff are tasked with the centralized processing of payments for purchases made on behalf of the City. This includes payments to vendors, agencies, and individuals relating to contractual payments, employee reimbursements, travel expenses, purchasing card expenses, employee payroll deductions, and customer refunds. The City primarily issues payments via the Automated Clearing House (ACH) system, wire transfers, and checks. Between August 1, 2023, and January 31, 2024, the Accounting Division processed over 46,000 invoices and issued 17,325 payments totaling \$1,490,145,003.

STATEMENT OF OBJECTIVE

To determine whether payments to vendors were accurate in amount, properly supported and approved, and paid in a timely manner.

STATEMENT OF SCOPE AND METHODOLOGY

Our audit scope focused on payments issued to suppliers, agencies, and individuals from August 1, 2023, through January 31, 2024, that were processed and approved via the Accounts Payable module in the financial system. We only tested payments from the General Deposits and the Accounts Payable bank accounts.

Our scope did not include wire transfers out or payments that were initiated and approved outside the Accounts Payable module in the financial system such as purchasing card (p-card) payments, employee reimbursements, accounts receivable refunds, and payroll-related payments.

We extracted all payments issued from General Deposits and Accounts Payable accounts from bank statements. We also extracted the population of payments and the population of invoices from the Accounts Payable module in the financial system. To verify completeness, we reconciled payments issued within our audit scope per the bank statements to the payments recorded in the financial system, investigating any discrepancies.

We isolated the population of invoices within our audit scope by excluding those invoices not initiated in the Accounts Payable module and by excluding invoices outside of the scope. This resulted in a population of 39,876 invoices totaling \$560,278,850.

We randomly selected 200 invoices for testing (100 invoices related to purchase orders and 100 invoices not related to purchase orders). We reviewed documentation on file to verify there was proper support. We recalculated the invoice amount, verified that Florida sales taxes were excluded and verified the amount paid was accurate. We confirmed that payments were properly approved for payment by reviewing approval logs in the financial system and confirmed that payments were issued within 45 days of invoice receipt.

Additionally, we performed analytical procedures to identify potential duplicate payments, identify fictitious vendors, verify the timeliness of payments, verify proper approvals, and verify there were not any other items to indicate issues with payments.

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received the Accounting Division responses from Marcia Saulo, City Comptroller, in a memorandum on May 15, 2025, the Treasury Division responses from Anna Brosche, City Chief Financial Officer, in a memorandum on May 20, 2025, and the Technology Solutions Department responses from Ken Herbin, City Chief Information Security Officer, in a memorandum on May 27, 2025.

AUDIT CONCLUSION

While it appears that payments to vendors were overall accurate in amount and properly supported and approved, we did find several significant issues and control weaknesses that need to be addressed related to those areas as described below. Additionally, payments did not appear to be issued in a timely manner.

AUDIT OBJECTIVE

To determine whether payments to vendors were accurate in amount, properly supported and approved, and paid in a timely manner.

Internal Control Weakness 1 – Lack of Written Accounts Payable Policies and Procedures

We identified deficiencies in the written policies and procedures relating to the accounts payable function. Several critical processes were not documented, lacked essential details, or were outdated after the switch to the new financial system in February 2020. Additionally, some written policies and procedures were not created until after our office requested them. Specific issues noted included:

Missing, incomplete, or outdated policies and procedures:

- How to review and approve the registration of new suppliers.
 - How to use the Internal Revenue Service Taxpayer Identification Number Matching service to verify a supplier's taxpayer identification number.
 - How to handle incorrect supplier name and taxpayer identification number combinations.
 - Procedures to ensure duplicate suppliers are not created nor approved in the financial system, including a periodic review of potential duplicate suppliers and how to merge duplicates.

- How to update critical supplier information, such as bank accounts, mailing addresses, and primary contact information.
 - Who is responsible for making or approving changes to supplier information.
 - Required documentation for changes to supplier information.
- How and when invoices must be submitted to the Accounting Division for payment.
- How to process invoices with holds, including details on different types of holds and when to manually apply a hold, who responsible for the hold correction, and how to correct invalid invoices.
- How to handle and correct budgetary control issues, such as when an invoice funding source does not have enough funds available to complete the payment.
- How invoices are to be approved in the system based on invoice amount thresholds and invoice type.
 - Workflow approval process for PO-related invoices.
 - Workflow approval process for non-PO invoices.
- How to process credit memos.
 - When a credit memo versus a refund should be requested from a supplier.
 - Procedures to monitor open credit memos and when to request a refund.
 - How to review and apply credit memos during the payment run process.
- How and when to process different forms of payment when running the Payment Process Request in the financial system.
- How to review, detect, and exclude sales taxes from a payment, including determination of when sales taxes should be excluded.
- How to process Internal Revenue Service Form 1099 to properly reflect and report payments to vendors.
- How to monitor payment timeliness, including how to run various accounts payable aging reports.
- How to perform bank reconciliations (note that this activity is performed by the Treasury Division).

Policies and procedures that were drafted or created after we requested policies that covered the topic:

- How and when to process a customer refund payment, including documentation and approval threshold requirements.
- How and when to use the netting process to handle inter-departmental invoices, including a policy regarding internally issuing checks to City departments instead of using the netting process.

Recommendation to Internal Control Weakness 1

We recommend that the Accounting Division develop written standard operating procedures to properly document the procedures for the accounts payable function. At a minimum, the policy and procedures should include the tasks mentioned above. Additionally, the Accounting Division should periodically review all its written policies and procedures to ensure the policies and procedures reflect current expectations, practices, and the current financial system.

Accounting Division Response to Internal Control Weakness 1

Agree ☒

Disagree ☐

Partially Agree ☐

Accounting agrees with the need to continue to create, review and update SOPs as needed. We will ensure that all the specific SOPs detailed have been or will be addressed. Accounts Payable has 46 SOPs, 44 of which have been created and/or modified since January of 2023.

Finding 1 – Access Rights Issues Relating to Accounts Payable Functions

We identified several users with excessive access rights in the financial system related to the Accounts Payable process. Specific issues identified were as follows (note some of the different issues applied to the same employees):

- Four Treasury employees were assigned the "Accounts Payable Invoice Supervisor" role that permitted the users to create, edit, delete, and validate invoices.
- Four employees were granted roles enabling them to approve invoices in the financial system even though they did not work in the Accounting Division.
- Two employees were assigned the "Supplier Administrator" role, granting them access to manage supplier profiles and user provisioning within the financial system, even though these capabilities were not part of their job functions.
- One employee retained the "Accounts Payable Specialist" role even though this employee no longer worked in the Accounting Division.
- Eighteen employees working outside the Accounting Division were granted the "Accounts Payable Specialist" role to help process non-PO related invoices for their respective departments. However, this access role also granted them the ability to change suppliers' bank account information, which is not part of their job functions.
- Four employees working in the Accounting Division were granted "Accounts Payable Supervisor" role, which allowed them to make changes to suppliers' bank account information and issue payments in the financial system, presenting a segregation of duties issue.
- Four employees in the Accounting Division were granted the "Supplier Manager" role while also holding the "Accounts Payable Supervisor" role. These access roles allowed them to make changes to suppliers' bank account information and issue payments in the financial system, creating a segregation of duties issue.
- Eight employees in the Accounting Division were granted the "Accounts Payable Manager" role, which allowed them to make changes to suppliers' bank account information and issue payments in the financial system, presenting a segregation of duties issue.

Recommendation to Finding 1

We recommend that the Accounting Division and the Technology Solutions Department jointly review and revise user access controls in the financial system to adhere to the principle of least privilege. Users should be granted only the minimum permissions necessary to perform their

assigned duties, and access for inactive employees should be disabled or removed. As part of the review, the access rights issues identified above need to be addressed.

Accounting Division Response to Finding 1

Agree ☒ Disagree ☐ Partially Agree ☐

The Accounting Division is performing a detailed review of the access detailed above. Since the access was reviewed by the Council Auditors, all of the "Accounts Payable Manager" roles have been removed from the 8 employees in the Accounting Division. For the remaining roles noted above, access has been removed from a few employees. For the remaining employees with access issues, the Accounting Division is working with Technology Services to resolve them.

Finding 2 – User Accounts of Former Employees Not Deactivated

We identified a total of 241 user accounts in the financial system belonging to former City employees or accounts created for individuals going through the hiring process who never started employment that had not been deactivated as of September 9, 2024. This issue was also noted as an outstanding issue in our first follow-up to the Electronic Fund Transfers In Audit (Report #856A) issued in November 2023. In relation to the follow-up, in March of 2024 we had been informed that this issue had been resolved. Given that, we went ahead and re-performed the testing we had performed for this audit in September 2024 to determine whether the issue had been addressed. Based on our testing, it does not appear that the issue has been resolved and since the results were similar, we are just including the testing re-performed.

According to the Technology Solutions Department, the only way to log into the financial system is through Single Sign-On (SSO), using a valid Active Directory account. Upon termination, these employees' accounts were disabled in the Active Directory by the Security Team.

Recommendation to Finding 2

As previously recommended, we continue to recommend that user access be deactivated at the system level (financial system) for all terminated employees, in addition to removing the respective user accounts from the Active Directory used in the Single Sign-On. This additional layer of defense will prevent unauthorized access to the financial system if the Single Sign-On of a terminated employee is compromised. Additionally, if the employee returns to the City and the access is turned back on there is the risk the access will not be removed, and they will be granted improper access.

Technology Solutions Department Response to Finding 2

Agree ☒ Disagree ☐ Partially Agree ☐

Currently, iCloud users are "locked" upon termination from the city, along with their Active Directory account being disabled. This is a requirement as when users leave the city, there are financial processes that still need to run for some time, which cannot be executed without the user

existing as active in 1Cloud. Upon reconciliation process completion, the user is able to be inactivated in the system. A procedure to communicate when those processes are complete has not been established, so TS and Accounting division will be working together to develop a documented SOP for the handling of these accounts going forward. As a compensating control, Active Directory accounts are disabled, and these accounts cannot be accessed without an active COJ login, which mostly eliminates the risk of terminated users accessing 1Cloud.

Finding 3 – Suppliers’ Banking Information Changed by City Employees

We identified 923 changes to suppliers’ banking information that occurred from October 1, 2022 through April 30, 2024. Of the 923 changes, 457 (or 50%) were made by employees in the Accounting Division. Furthermore, the employee responsible for creating payments in the financial system made 398 out of 457 (over 87%) changes to banking information during the testing period.

Lastly, it is important to note that of the 457 changes that were made by Accounting Division staff, 287 (or 63%) of the changes related to suppliers that had user accounts in the Supplier Portal. This indicates that the suppliers had the ability to update their own banking information.

Recommendation to Finding 3

Overall, we recommend that changes to supplier accounts be made by the suppliers. This would include getting more suppliers set up in the system to be able to change this information to help streamline this process and educating them about the process when they reach out for a change.

For any changes to suppliers’ banking information that must be initiated by City employees, we recommend enforcing proper documentation procedures within the financial system. This should include attaching communication from the supplier confirming the change (e.g., signed letter or via secure message). All documentation should be readily accessible within the supplier profile in the financial system.

We also recommend implementing a clear segregation of duties policy within the financial system. This policy should include preventing employees responsible for creating payment files from having the ability to update supplier banking information. Periodic access reviews should be conducted to ensure this separation of duties is maintained.

Accounting Division Response to Finding 3

Agree ☒ Disagree ☐ Partially Agree ☐

We agree that, ideally for a clear segregation of duties, the function of supplier registration and supplier profile changes would be assigned to a division other than Accounting. However, since the implementation of 1Cloud in March 2020, this function has been assigned to Accounts Payable

within Accounting. We have been working with Procurement to determine if all of this responsibility can be moved to them.

We also agree that it is best for suppliers to request changes in the system themselves and we no longer have employees involved in the payment process initiating changes. However, we note that the configuration in the system for profile changes does not allow suppliers to fully complete banking changes themselves. Once a supplier account is created with the status of the account “Active”, and the business relationship of the account “Spend Authorized”, the supplier can only REQUEST changes to their supplier account (including banking information) through the Supplier Portal. A staff member must review and finalize the requested changes.

Our new Accounts Payable Supervisor who came on board in January 2025 began monitoring supplier profile change requests in March 2025. She worked with Technology Services to develop a new report which includes such information as supplier, request status, requested by, request date, description, action, action by, and action date. She reviews this report regularly to determine any unusual activity.

Finding 4 – Duplicate Payments/Checks

During the audit, we identified a few instances of duplicate payments in the financial system. While each was eventually corrected or had not been cashed as in the example of one, it does not change the fact that there were issues that should have been prevented or detected sooner.

Double Cashing

During our bank account reconciliation testing, we found a check for \$125 was attempted to be cashed three times. The second attempt was properly flagged and stopped in a timely manner. The third attempt in January 2024 was flagged but not properly stopped/corrected in a timely manner. Instead, Treasury identified and corrected it in June 2024 when reviewing unreconciled items. This delay highlights a failure to promptly detect overpayments due to untimely monthly reconciliations.

Duplicate Customer Refund Recording

While performing duplicate supplier testing during the risk assessment, we found two customer refunds totaling \$293.62 related to community center rentals that were recorded twice in the financial system. The duplicate customer refunds were issued to duplicate supplier accounts that had slightly different supplier names. It appears that the refunds were re-issued without voiding the original checks, which still appeared as negotiable in the financial system. Note that these customer refunds only cleared the bank once.

Corrected Duplicate Payments

We found three duplicate payments totaling \$2,468,639 which were subsequently identified and corrected by the Accounting Division. The issues were each fully addressed by reductions in payments by the second subsequent invoice from the applicable vendors.

Recommendation to Finding 4

We recommend that the Accounting Division investigate the root causes of the identified duplicate payments and take corrective action as necessary.

The Finance Department should properly void the two customer refunds checks that still appear as negotiable in the financial system. Additionally, the Finance Department needs to implement steps to research situations where checks are negotiable over a set period to identify these types of situations and to properly remit any stale checks to the State of Florida as required by Chapter 717 of the Florida Statutes. This could be performed as part of the bank reconciliation process.

Accounting Division Response to Finding 4

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting will review with Treasury their process for reviewing stale checks.

Regarding customer refunds, effective February 21, 2024, a new process and form was developed and had been in use for customer refunds.

Finding 5 – Duplicate Medicaid Pre-Authorized Payment

During testing of the bank reconciliation, we identified a duplicate Medicaid payment totaling \$1,340,007.83 that was paid to the Florida Department of Revenue on September 6, 2023, from the General Deposits account. This duplicate payment was subsequently credited against the Medicaid payment for November 2023, which resolved the overpayment issue. Medicaid contributions are made through pre-authorized Automated Clearing House (ACH) debits. It appears that the Accounting Division mistakenly processed the payment twice on the State's website. Per the Accounting Division, they promptly contacted the State to request a reversal of the duplicate payment; however, the State was unable to do so. As a result, the duplicate amount was applied to the payment of a subsequent month.

Additionally, we found that the Medicaid invoices for October, November, and December 2023 were not entered into the financial system in a timely manner. These invoices were recorded on January 5, 2024, after the corresponding Medicaid payments had cleared the bank.

Recommendation to Finding 5

We recommend that the Accounting Division review their policies and procedures to ensure that no duplicate payments are created when processing pre-authorized payments from external websites. We also recommend that all pre-authorized ACH payments be reviewed and approved prior to authorizing the payments from the City's bank account.

Accounting Division Response to Finding 5

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting has implemented a revised process and agrees with the recommendation to review and approve this type of ACH payment internally prior to submitting the authorization to the State for their withdrawal from the City's bank account.

This duplicate payment was a unique error situation where the employee initiated a deletion in the Medicaid payment authorization system and on the same day, processed the correct transaction to ensure compliance with the Medicaid payment deadline. However, unbeknownst to the employee, the initial transaction was not successfully deleted, resulting in a duplicate payment for the same month.

To prevent similar errors in the future, the Senior Accountant now initiates the authorization in the state system but refrains from submitting it until it has been thoroughly reviewed by the Manager. Additionally, staff members verify the transaction after 24 hours to confirm it has been processed correctly. Once this verification is complete, a Non-Purchase Order invoice is submitted in our financial system to record the payment.

Finding 6 –Transactions Not Recorded in the Financial system

During our reconciliation of payments between the bank statements and the financial system, we identified 15 bank transactions totaling \$272,037.01 that were not properly recorded in the financial system. These transactions cleared the bank starting October 5, 2023 through January 18, 2024, but remained unrecorded in the financial system as of our testing date of August 27, 2024. These issues went unresolved due to bank reconciliations not occurring in a timely manner as written up in Supplemental Internal Control Weakness 1.

Upon notification of this issue, the Accounting Division took corrective action to record a portion of the expense on September 5, 2024, which corrected 8 out of the 15 unrecorded transactions. These corrected transactions totaled \$94,384.37. The remaining amount of payment transactions totaling \$177,652.64 remain unrecorded in the financial system as of our testing.

Recommendation to Finding 6

We recommend the Accounting Division promptly record the missing transactions in the financial system. Additionally, the bank reconciliations need to be performed in a timely manner as recommended in Supplemental Internal Control Weakness 1.

Accounting Division Response to Finding 6

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting and Treasury are working together to resolve this issue and ensure all missing transactions are recorded promptly in the system.

Finding 7 – Invoices Not Always Date Stamped

Section 218.74(1) of the Florida Statute states that a local governmental entity shall establish procedures whereby each payment request or invoice received by the local governmental entity is marked as received on the date on which it is delivered to an agent or employee of the local governmental entity.

During our review of 210 payments (includes 10 payments from preliminary survey), we focused on the 144 payments related to invoices that were issued by suppliers (this excluded internally created invoices and internal payment requests). Our testing revealed that 127 out of 144 (or 88.2%) invoices tested lacked evidence of the invoice receipt date. This indicates a failure to comply with the State's requirement for local governments to mark payment requests and invoices with the date they were received. It is important to note that only 3 of the 210 invoices were submitted directly by the vendor, which is the process to avoid any type of manual date stamping and to help ensure proper tracking of payment timeliness.

Recommendation to Finding 7

We recommend that the City implements procedures to ensure all invoices are date-stamped upon receipt and processed promptly. All City departments must adhere to these date-stamping procedures to maintain compliance with Florida Law. The date stamping could be documented by the date it is submitted into 1Cloud, but that would only be possible if the vendor is consistently submitting the invoices directly or the Department is submitting the invoices immediately upon receipt.

Accounting Division Response to Finding 7

Agree ☒ Disagree ☐ Partially Agree ☐

Invoices are received in Accounts Payable in several ways. Only for #2 and #3 below would we expect to see a date on the invoice itself.

- 1. Uploaded by the supplier through the IDR system – The date/time received is recorded through the IDR system and such information is included in 1Cloud.*
- 2. Received from the departments – Each department should date stamp invoices when received. This information will be re-emphasized to the departments. Accounting also continues to seek to have all invoices sent directly to Accounts Payable and not to departments.*
- 3. Received through the mail (inter-office or USPS) directly in Accounts Payable – Mail is date stamped as it is received.*
- 4. Received through supplier portal (Internet Service Portal) – The date/time received is recorded in the system.*

Finding 8 – Date of Receipt Not Always Recorded Correctly or Timely

City policy requires departments to confirm the receipt of goods or services within five business days of acceptance for purchase orders in the Procurement module of the Financial System. This policy was enacted to improve timely payment for received goods and services.

Of the 100 PO-related invoices selected for testing, supporting documentation allowed us to determine the date products and services were received for 54 invoices. For the remaining 46 invoices, the exact delivery or service date was not documented on the invoices or supporting records. This lack of evidence constitutes an audit testing limitation, preventing us from determining whether timely receipt recording occurred for these invoices.

Of the 54 invoices where receipt dates were determinable, 37 (68.5%) did not have a receipt recorded in the financial system within five days of the documented delivery or service date. These 37 invoices totaled \$50,153, with an average of 59 days elapsing between the documented receipt date and the financial system recording date.

Recommendation to Finding 8

All City departments must adhere to the policy of confirming receipt of goods or services within five business days of acceptance. Additional training and reminders should be provided for employees who are not following this City policy.

Accounting Division Response to Finding 8

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting and Procurement continue to encourage departments to receipt within the required timeframe. In addition to trainings and system-generated reminders already in place, in February 2025, our new Accounts Payable Supervisor began emailing departments lists of open invoices for which receipts were still needed on the respective purchase order.

Finding 9 – Payment Processing Timeliness Issues

Section 218.74(2) of the Florida Statute, commonly referred to as the Local Government Prompt Payment Act, states that “the payment due date for a local governmental entity for the purchase of goods or services other than construction services is 45 days” after the date on which the invoice was received. The Accounting Division’s performance objective is to process 90% of invoices within 30 days of receipt.

We tested a random sample of 200 invoices by comparing the date the invoice was received to the date payment was prepared. We found 46 out of 200 (or 23%) invoices tested, totaling \$433,978.40, were not paid within 45 days from the date stamp on the invoice, the date the invoice was submitted to the system by the supplier, or the invoice date in instances the other information was not available to validate when the invoice was received.

Additionally, we performed analytical testing of the timeliness of invoices paid within our audit scope. We found the following payment processing timeliness issues:

- 2,193 out of 39,876 (or 5.5%) invoices analyzed were paid more than 45 days after the date the invoice was submitted to the financial system. These invoices totaled \$7,737,137.48.
- 10,722 out of 39,876 (or 26.9%) invoices analyzed were paid more than 45 days after the invoice date. These invoices totaled \$80,688,153.11.

We noticed several issues that can affect the City's ability to manage its accounts payable efficiently and may result in late payments to suppliers. During our preliminary review, we observed that suppliers did not always submit invoices directly to the financial system. Instead, they sent invoices to individual City departments, which then forwarded the invoices to the financial system for processing. This indirect submission process can result in more delays. As highlighted in Finding 8, the untimely receipt of products and services in the financial system can lead to delays in processing the respective invoices.

Recommendation to Finding 9

We recommend the Accounting Division implement policies and procedures to ensure invoices are validated and payments are processed in a timely manner. If possible, the Accounting Division should establish a monitoring system to track the timeliness of invoice submissions and report any delays to the relevant Department Directors for corrective action.

The Accounting Division should implement a policy requiring (or at least encouraging) suppliers to submit invoices directly to the financial system to streamline the process and reduce delays.

Accounting Division Response to Finding 9

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting agrees that it is preferable for suppliers to submit invoices directly to the financial system and we continue to work with suppliers and departments to encourage this practice. We also agree that the timeliness of invoice payment is affected by several issues. Timeliness has improved since the period of invoice testing. Beginning in January 2025, our Accounts Payable Supervisor has been monitoring the list of invoices which are 15+ days outstanding. The balance in this queue has had a significant decrease and we continue to identify and work to resolve the issues delaying payment.

Finding 10 – Credit Memo Processing Timeliness Issues

Credit memos are associated with overpayments or returns by the city where the City has received a credit to be applied to a future purchase, but in some instances the City needs to just seek a refund if the vendor does not regularly do business with the City. On January 30, 2024, we identified four open credit memos totaling \$22,421 that were over 100 days old and had not been applied to any vendor invoices. This indicates that the City should have sought a refund.

Additionally, we found 58 credit memos totaling \$35,785 pending approval in the financial system for more than 30 days as of January 30, 2024. These delays in review and approval by Accounts Payable staff prevented the credit memos from being applied to any vendor invoices in a timely manner and the City recovering funds in a timely manner.

Recommendation to Finding 10

We recommend that the Accounting Division periodically reviews open credit memos and seeks refunds for any approved credit memos that have been open for more than a set period (e.g., 45 days). The Accounting Division should review, approve, and record all credit memos in a set period (e.g., process credit memo within 30 days of issuance by the vendor). These processes and time periods should be documented in policy and procedures.

Accounting Division Response to Finding 10

Agree ☒ Disagree ☐ Partially Agree ☐

A standard operating procedure regarding credit memos was developed in July 2024. As of 05.07.2025, there were only 9 open credit memos totaling \$605.92.

Finding 11 – Invoice Cover Letters Created Internally by City Employees

The Accounting Division developed an invoice-style cover letter for City Departments to include with invoices that were not being read properly by the system. This cover letter was intended to improve document formatting and readability for the system to minimize accounting having to manually key in the information not properly read by the system. Per the Accounting Division, this cover letter was not intended to replace vendor invoices, but make the system be able to read the information better. However, the cover letter eliminates one control aspect of the validation process since the same area creating the cover letter is also processing the receipt of goods/services. Specifically, the same employee could be creating and submitting the cover letter that is created to act like the invoice and receipting the goods or service in the financial system, which depending upon the dollar threshold may not require any further approval for payment. Then, even if there is approval needed, the employee in the Accounting Division reviewing may think the cover letter is the actual invoice if the cover letter is not clear that it is not from the vendor.

We found that 8 out of 200 (or 4%) invoices tested, totaling \$616,855.06, were created internally by City employees. Specifically

- 6 payments included an original invoice provided by the supplier and an invoice created internally.
- 2 payments were supported only by an invoice created internally.

During analytical testing we identified an additional invoice created internally for \$150,367.22, which lacked an original supplier invoice in the financial system.

Recommendation to Finding 11

We recommend the Accounting Division reevaluate the use of a cover letter created by departments. This would include having the Departments work with vendors to see if there is a way to get a more standard invoice that would be more easily read. If the Accounting Division decides to continue using the cover letters, then they must be clearly marked as not a vendor-generated invoice. The current template should be revised, and Departments should refrain from modifying the cover letter template to prevent any misrepresentation as a vendor invoice.

As it relates to City Departments creating invoices, this should be limited to instances specifically specified in the contract based on the unique circumstances (e.g., payments to residential haulers).

Accounting Division Response to Finding 11

Agree ☒ Disagree ☐ Partially Agree ☐

Some departments previously used cover sheets when trying to correct for OCR/IDR issues. Effective May 2024, this practice ended. Additionally, in March 2025, an IDR Checklist for 1Cloud Invoices was developed and made available to City Departments. The Checklist does not include the use of a cover letter created by departments.

Finding 12 – City Not Always Using the Netting Process

The City has implemented a netting process within its financial system to handle payments between City departments. This process is designed for transactions that do not require the transfer of funds between different bank accounts. During the netting process, a transaction is recorded in the financial system to offset a customer invoice in the Accounts Receivable system with a supplier invoice in the Accounts Payable system. Utilizing the netting process eliminates the need to move money (e.g., electronic transfers or printing of checks) for interdepartmental payments.

Our review identified 29 interdepartmental payments, totaling \$340,991, that did not utilize the netting process. Instead, the City issued checks from its bank account, which were sent to the City department being paid. These checks were then deposited with the Tax Collector, who subsequently transferred the funds back to the City's General Deposits Account.

Recommendation to Finding 12

The Accounting Division should ensure that all interdepartmental invoices are processed through the netting process to streamline transactions and avoid unnecessary check issuance when possible. Consistent with our recommendation to Internal Control Weakness 1, the Accounting Division should enhance their written Standard Operating Procedures (SOPs) for the netting process.

Accounting Division Response to Finding 12

Agree ☒ Disagree ☐ Partially Agree ☐

Effective February 2024, a standard operating procedure was developed for the netting process (AP/AR Netting). Accounting staff has been working with departments to utilize this payment method to process payments between City departments.

Finding 13 – Paying Vendors from Tax Collector Bank Account

We identified 65 interdepartmental invoices totaling \$38,437 used to reimburse the Tax Collector for credit card service fees paid by the Tax Collector to various merchants. These merchant fees were initially paid directly from the Tax Collector's bank account via ACH debit, bypassing the City's central accounts payable process and the required Accounting Division approval. Additionally, it appears that some City departments had entered into credit card agreements with merchant companies without the Tax Collector's knowledge, leading to direct debits from the Tax Collector's bank account instead of separate billing for merchant fees to be processed via Accounts Payable since the agreements require the payments to be deducted from the account where payments are deposited.

Recommendation to Finding 13

We recommend the City implement a policy requiring the Finance Department to review and approve all credit card agreements before they are finalized to ensure these credit card service payments are processed by the City instead of the Tax Collector's Office or at least create a documented process for how this should occur.

Accounting Division Response to Finding 13

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting agrees with the recommendation and will work with our Director of Finance to explore the possibility of establishing a city-wide policy regarding credit card agreements. Accounting has also met with the Tax Collector's Office staff to discuss the issue but no resolution was finalized.

Finding 14 – City Printing Checks Instead of Using ACH

The City encourages all vendors to accept ACH payments, rather than mailing checks to vendors. Checks have more risks associated than ACH payments (e.g., lost in mail, stolen, etc.). During testing for interagency invoices, we found 162 payments to City agencies totaling \$2,074,147 that were issued via check instead of using ACH payments. Most of the payments were reimbursements or payments to the Tax Collector, which does require a transfer of funds from the City's bank account to the Tax Collector's bank account (i.e., cannot go through the netting process described above). While these payments may not be able to go through the netting process, they should be done via ACH instead of the check process to mitigate risk.

Recommendation to Finding 14

We recommend the Accounting Division process all payments that require a transfer of funds between different City bank accounts or to other City agencies via ACH. Payments that do not require transferring funds between bank accounts should be performed through the netting process.

Accounting Division Response to Finding 14

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting agrees and has met with the Tax Collector's Office staff to resolve, as the majority of these payments related to corrections that the Tax Collector's Office needed to make within their system. The Tax Collector's Office staff determined they could make such corrections through an adjustment in their system and no longer require a check payment to them.

Finding 15 – Duplicate Suppliers in the Financial system

During risk assessment testing, we identified 35 suppliers that had duplicate accounts in the financial system. This raises risks of not properly reporting information to the IRS on payments to vendors.

Recommendation to Finding 15

We recommend that the Accounting Division review and deactivate/merge all the duplicate supplier accounts that were identified above.

Consistent with Internal Control Weakness 1, we also recommend the Accounting Division, in cooperation with the Procurement Division, develop written policies and procedures describing the supplier registration review and approval process. This policy should include procedures to:

- Ensure consistent naming.
- Verify the accuracy of suppliers' information during the registration process.
- Verify suppliers' information by using the IRS tax identification number match search service.
- Check for an existing supplier account to ensure no duplicate is created.

Lastly, there needs to be a periodic review conducted at least annually to identify and correct any potential duplicates.

Accounting Division Response to Finding 15

Agree ☒ Disagree ☐ Partially Agree ☐

We are reviewing the 35 supplier accounts to determine whether they are the same supplier or not. In January 2025, Accounting began using a report developed by Technology Services which identifies all the suppliers who have duplicate taxpayer identification numbers. Please see also

our response for Internal Control Weakness 1 – Lack of Written Accounts Payable Policies and Procedures.

Finding 16 – Invoices Not Always Linked to a Purchase Order (PO)

During our risk assessment testing of 30 invoices and detailed testing of 200 invoices, we identified seven invoices totaling \$1,604,814 that were not correctly linked to purchase orders in the financial system.

- Five invoices totaling \$1,561,659 were incorrectly recorded and processed as non-PO invoices in the financial system, despite being associated with existing purchase orders. The issue this creates is that the amount authorized in the procurement award for the purchase order may be exceeded and there is more risk for going over budget. It appears that three of these invoices totaling \$384,000 were corrected after we communicated the issue to the Accounting Division.
- Two invoices totaling \$43,155 lacked associated purchase orders, despite evidence of similar past purchases being processed via purchase orders. It appears that the procurement process may not have been followed.

Recommendation to Finding 16

We recommend that the Accounting Division implement processes to help ensure that invoices associated with purchase orders are properly processed under the purchase orders. This would include having Departments attest that payment requests through the non-purchase order payment process are not tied to a purchase order and that procurement procedures are being followed.

Accounting Division Response to Finding 16

Agree ☒ Disagree ☐ Partially Agree ☐

Since this inquiry, we have worked with the Departments regarding this issue to ensure that invoices are linked to a purchase order as necessary. In March 2025, an IDR Checklist for 1Cloud Invoices was developed and made available to City Departments. One of the items on the Checklist is to ensure that the correct purchase order number for the order is on the invoice or credit memo. The Checklist also includes guidelines on how to provide the purchase order number so that it is read correctly by the IDR. Please see our response for Internal Control Weakness 1 – Lack of Written Accounts Payable Policies and Procedures.

Finding 17 – Invoices Recorded to Incorrect Accounting String in General Ledger

We found 13 out of 200 (or 6.5%) invoices tested were not recorded in the correct general ledger account, resulting in a total amount of \$7,239.90 being incorrectly recorded. Ten of these invoices (totaling \$5,134.90) were related to tire purchases which were incorrectly recorded under the “Fuel” account instead of being recorded under the “Tires” account in the general ledger based on the purchase order being tied to the wrong account. The other three issues are related to invoices not related to a purchase order.

Recommendation to Finding 17

As it relates to invoices related to purchase orders it is imperative that the using departments are properly selecting the correct budgetary accounts when setting up the purchase orders.

As it relates to invoices not related to a purchase order, the Accounting Division and using department need to ensure the supporting documentation matches the account string used for payment.

Accounting Division Response to Finding 17

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting agrees that departments should use correct accounting strings to ensure payments are recorded correctly. For all invoices matched to purchase orders, the accounting string comes from the purchase orders, which begin as requisitions created by departments and reviewed by Procurement. If funds are available, the requisitions become purchase orders.

The remaining 3 exceptions noted above were non-PO invoices, which originate with departments and are reviewed by Accounts Payable. We will examine our review process to ensure we receive appropriate supporting documentation. As long as funds are available in the accounting strings used, the ICloud system will process payment.

Finding 18 – Issues with Invoice Information in Financial System

We identified 50 invoices with several issues related to invoice data entry in the financial system during our preliminary survey (test of 10 items) and detail testing (test of 200 items). Specific issues noted were as follows of which some had one or more issues:

- **Incorrect Invoice Number:** 2 (or 1.0%) invoices tested had incorrect invoice numbers entered, which could heighten the risk for a duplicate payment.
- **Incorrect Payment Terms:** 46 (or 21.9%) invoices tested had payment terms entered that did not match the invoice, which could mean the City does not make payments in a timely manner.
- **Incorrect Invoice Date:** 5 (or 2.4%) invoices tested had incorrect invoice dates entered.

Of the 50 invoices identified with accuracy issues, 24 were created via Intelligent Document Recognition (IDR) technology and under the \$10,000 threshold, so they were automatically approved by the financial system. Therefore, these invoices did not require review and approval from a City employee.

Recommendation to Finding 18

We recommend that the Accounting Division implement stronger data entry controls within the financial system to ensure the accuracy of invoice data. Personnel responsible for data entry and those reviewing and approving invoices (input via IDR technology or input by other employees)

should verify the accuracy of critical data points, including invoice amount, number, and payment terms, and invoice date.

Accounting Division Response to Finding 18

Agree ☒

Disagree ☐

Partially Agree ☐

Accounting agrees and notes that there are issues with the intelligent document recognition (IDR) software reading invoice information incorrectly. When these errors occur, Accounts Payable staff has to review the invoice information against what was imported into the system. If there are discrepancies, Accounts Payable staff has to manually correct the information. Accounting and Technology Services are working together with Oracle to reduce the number of IDR issues. We also continue to develop staff expertise in reviewing and validating invoices.

SUPPLEMENTAL ISSUES

The items below were outside the scope of our audit but came to our attention while we were conducting the audit.

Supplemental Internal Control Weakness 1 – Bank Reconciliations Not Performed Timely

We noticed that bank reconciliations were not performed every month in a timely manner by the Treasury Division. On January 17, 2024, we requested from the Treasury Division the most recent bank reconciliation that had been completed. They provided the bank reconciliation for the month of September 2023 on February 2, 2024. It appears that it took four months to complete the September 2023 bank reconciliation.

Discussion with the Treasury Division indicated that bank reconciliations were previously performed annually with the implementation of the City’s new financial system in 2020, but now their goal was to perform the bank reconciliation monthly as the ledger closes, which would be consistent with past practice.

We found that required journal entries identified during the bank reconciliation for the month of September 2023 were not recorded in a timely manner. For example, the below items had not been corrected as of February 2, 2024:

- A reconciling item of \$1,979,670 relating to incorrect cash balances for the defined contribution plans required a journal entry in the general ledger.
- A reconciling item of \$109,268 to the Money Market account relating to gains and losses incurred over the past three fiscal years (FY 2020/21, FY 2021/22, FY 2022/23) that required a journal entry in the general ledger.

We also found a wire transfer payment of \$495.18 was recorded twice in the financial system, despite only clearing the bank once. This duplicate transaction could have been detected if timely reconciliation was performed.

Additionally, the Treasury Division was unable to provide written policies and procedures describing the current bank reconciliation processes for the newly implemented financial system.

Recommendation to Supplemental Internal Control Weakness 1

We recommend that the Treasury Division perform monthly bank reconciliations within a set number of days of the month end (e.g., 15 or 30 days).

We also recommend the Treasury Division, in collaboration with the Accounting Division, promptly resolve all general ledger adjustments identified during the bank reconciliations within a set amount of time.

Furthermore, we recommend the Treasury Division develop standardized bank reconciliation procedures governing the process including timing. These written policies and procedure should include:

- Roles and Responsibilities: Who is responsible for preparing and reviewing reconciliations.
- Frequency: How often should reconciliations occur (e.g., monthly).
- Deadlines: Specific deadlines for completing reconciliations.
- Templates: Any standardized templates used for the process.
- Resolving Discrepancies: Clear instructions on identifying and addressing common bank reconciliation issues.

Treasury Division Response to Supplemental Internal Control Weakness 1

Agree ☒ Disagree ☐ Partially Agree ☐

The Treasury Division agrees that we need updated written procedures for bank reconciliations. The bank reconciliation process has been continually changing and evolving since the implementation of 1Cloud in 2021. There have been noticeable improvements with both the timing and accuracy of the bank reconciliation and we agree there is room for continued improvement. During 2024, we successfully automated the payroll to bank reconciliation through a project with the Technology Solutions Department (TSD). The process for reconciling the tax collector transactions was improved and fully documented. It should be noted that the general deposit account has approximately \$10 billion worth of transactions each year, most of which must be reconciled manually by a small team. Accordingly, there could be occasional delays in the reconciliation process due to researching unique transactions.

The Treasury Division will update a new formalized standard operating procedure to document the bank reconciliation process by the end of the fiscal year and will always work towards completing bank reconciliations timely. The Treasury Division will also continue to work with TSD and Oracle to identify and implement automation and efficiencies in hopes of reducing the manual nature of the current reconciliation process.

Supplemental Finding 1 – Duplicate Employee Reimbursements

While performing duplicate employee reimbursement testing during the risk assessment, we found two employees were reimbursed twice for the same travel expenses, resulting in total overpayment of \$422.79. In both cases, electronic copies of the mileage reimbursement forms were submitted and processed for reimbursement twice in the financial system. Despite electronic review and approval by departmental managers and the Accounting Division, the duplicate payments were not detected or corrected while being processed.

Recommendation to Supplemental Finding 1

We recommend that the Accounting Division investigate the root causes of the identified duplicate payments and take corrective action as necessary. This includes seeking reimbursement from individuals who were overpaid.

Accounting Division Response to Supplemental Finding 1

Agree ☒ Disagree ☐ Partially Agree ☐

Our Expense Auditor in Accounts Payable has communicated with the two employees regarding the overpayment and efforts are being made to recoup these duplicate reimbursements. We will also review the approval process to determine if additional steps need to be added to our SOP to catch duplicates.

Supplemental Finding 2 – Customer Payment Issue

We found that a payment to the City of \$131,669.57 was not applied to the open customer invoices in the Accounts Receivable system. The City thought it was a duplicate revenue received, which resulted in the City improperly issuing a refund. The customer identified the issue and sent subsequent repayment to the City. However, the repayment was again not properly recorded against the customer invoice but instead recognized as new revenue. This has resulted in an overstatement of both revenue and accounts receivable in the amount of \$131,669.57.

Recommendation to Supplemental Finding 2

The Accounting Division needs to correct this issue. Also, the recommendation to Supplemental Finding 3 should assist with preventing the refund from occurring in the first place.

Accounting Division Response to Supplemental Finding 2

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting has corrected this issue. Additionally, in February 2024, a refund policy was developed to require approval of customer refunds.

Supplemental Finding 3 – Customer Refund Issues

During our risk assessment testing, we found various issues relating to customer refunds as described below:

- **Approval Issue:** We found a lack of evidence for the review and approval of ten customer refunds tested totaling \$88,346.40. Additionally, we observed that the financial system lacked an electronic approval workflow for customer refunds, allowing invoices relating to customer refunds to be automatically created and approved for payment without oversight.
- **Documentation Issues:** We found that two of the ten customer refunds tested (totaling \$537.26) were not properly supported. The Accounting Division was unable to provide proper support explaining why the refunds were issued. Later, additional analytical testing was performed, and we found 3 additional customer refunds (totaling \$281.88) without proper support. In total, we found five customer refunds totaling \$819.14 that lacked proper supporting documentation.

Recommendation to Supplemental Finding 3

We recommend the Accounting Division, in coordination with the Technology Solutions Department, develop an electronic workflow approval process within the financial system for customer refunds. This is needed to help ensure proper authorization and oversight.

The Accounting Division should also ensure proper documentation for all customer refunds is retained. This documentation should explain the reason for the refund, any investigation conducted, and final approval. If an electronic workflow approval process is not possible, then a manual review and sign-off process will need to be created and should be retained with the documentation.

The above processes need to be included within documented policies and procedures as mentioned in Internal Control Weakness 1.

Accounting Division Response to Supplemental Finding 3

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting and Technology Services are working together to determine if an electronic workflow approval process within the Accounts Receivable module is feasible. This project is currently still in progress. Additionally, in February 2024, a refund policy was developed to require approval of customer refunds.

Supplemental Finding 4 – Purchasing Card Reconciliation Issues

The City uses purchasing cards (p-cards) managed by a bank for specific transactions, such as employee travel or professional organization membership dues. Due to timing differences, the monthly balance paid to the bank does not always match the p-card expenses recorded in the financial system. Therefore, it is essential for the Accounting Division to perform a monthly reconciliation of p-card expenses recorded in the financial system against the actual reimbursement issued to the bank.

During completeness testing, we identified the following issues related to p-cards reconciliations as of September 19, 2024:

- **August 2023 Reconciliation:** The Accounting Division performed a p-card reconciliation for August 2023, identifying a required reduction adjustment of \$2,798, which was not recorded in the financial system.
- **September 2023 Reconciliation:** The Accounting Division performed a p-card reconciliation for September 2023, identifying a required reduction adjustment of \$14,261. This adjustment was recorded as a credit memo for the bank managing p-cards. However, this credit memo remained open as of our testing indicating that the adjustment had not been fully applied in the financial system.
- **October 2023 to July 2024 Reconciliations:** We found no p-card reconciliations or adjustments recorded in the financial system for the period from October 2023 through July 2024. It appears that the Accounting Division had not reconciled the p-card payments for these months. Based on our review, a net reduction adjustment of \$11,044 may be needed for this period.

Recommendation to Supplemental Finding 4

We recommend the City implement a standardized reconciliation process for p-card expenses to ensure timely completion of the reconciliation and the adjustments are made as part of the process, as needed. This reconciliation process should be properly documented in the written policies and procedures.

Accounting Division Response to Supplemental Finding 4

Agree ☒ Disagree ☐ Partially Agree ☐

Accounting agrees and is working to bring all purchasing card reconciliations current, to determine any adjustments needed in the financial system, and to develop a standard operating procedure for the reconciliation and adjustment process.

Supplemental Finding 5 – Form 1099 Issues

The Internal Revenue Service (IRS) requires that government entities file information returns, including Form 1099, to report payments made to vendors or recipients. Based on our review, the City paid 5,577 suppliers during calendar year 2023 and issued 1,219 Form 1099s. In reviewing the forms, we identified the following issues:

- **Inaccuracy in Amounts Reported:** We identified accuracy issues with 8 out of 1,219 (or 0.6%) forms, resulting in total reporting errors of \$77,128.
 - Underreported Payments: 6 underreported payments of \$68,819 in total.
 - Overreported Payments: 2 overreported payments of \$8,309 in total.
- **Forms Not Filed:** Our testing revealed that two suppliers did not receive a Form 1099 for tax year 2023, despite receiving reportable income over \$600 each. These suppliers received a combined total of \$5,163 in taxable income from the City.

Recommendation to Supplemental Finding 5

We recommend the Accounting Division conduct a thorough investigation to identify the root causes of the errors. This will help in understanding why these inaccuracies and omissions occurred to avoid those issues in the future. Finally, the Accounting Division should enhance internal controls over Form 1099 preparation by implementing additional checks, approvals, or validation steps to prevent future errors.

The Accounting Division should also research to determine the appropriate reporting or correction procedures needed for the identified errors.

Accounting Division Response to Supplemental Finding 5

Agree ☒

Disagree ☐

Partially Agree ☐

The ICloud system is configured to run a file in order to generate the 1099 forms for suppliers with payments greater than \$600. For our Calendar Year 2023 1099 forms, there were issues with the system generating the forms, therefore Accounts Payable staff had to generate the forms manually. At the same time, there were issues with the IRS Filing Information Returns Electronically system. These factors contributed to the accuracy issues for the 8 suppliers. For the two suppliers where a 2023 Form 1099 was not filed, the supplier record is designated as a federally reportable supplier and therefore, the system should have generated a Form 1099. Accounts Payable will implement additional validation steps as part of the 2025 1099 process to prevent errors and determine if any system issues need resolution.

We appreciate the assistance and cooperation we received from the Finance Department throughout the course of this audit.

Respectfully submitted,

Kim Taylor

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