

**Palm Beach County
Clerk & Comptroller's Office
Pre-Audit Department Review**



SHARON R. BOCK
Clerk & Comptroller
Palm Beach County

Audit Services Division
April 29, 2008
Report 2008-02



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Palm Beach County

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The Honorable Sharon R. Bock
Clerk & Comptroller

Dear Clerk Bock:

We conducted an audit of the Pre-Audit Department of the Clerk & Comptroller's office. Our objectives were to perform an independent assessment of the risks impacting the department, evaluate internal controls in place to mitigate the risks, and identify opportunities to improve efficiency and effectiveness.

Except for the Observations and Recommendations noted in this report, the Clerk's Pre-Audit Department internal control environment was generally adequate to process payments timely and in compliance with established laws. Opportunities to improve controls, update procedures, enhance performance measures, and implement best practices were noted within the Department.

Responses to our recommendations were received from management and are included in the report.

We appreciate the cooperation of the management and staff of the Pre-Audit Department during the course of this audit.

Respectfully submitted,

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INTRODUCTION

Background

The Pre-Audit Department (“the Department”) within the Finance Division of the Clerk’s office is responsible for a vital part of the Clerk’s duties as established by the Florida Constitution, Title VIII, Section 1.(d), which designates the Clerk as the ex officio clerk of the Board of County Commissioners, auditor, recorder and custodian of all County funds.

In addition, Florida Statutes:

- Direct that all money drawn from any depository for the county shall be drawn upon a check or warrant issued by the board, signed by the chair of the board, and attested by the clerk of the board with the corporate seal affixed (Section 136.06).
- Require the clerk acting as county auditor to be held personally liable for any amount paid in excess of legal expenditure or any illegal claim paid when either is paid subject to a warrant signed by the clerk (Section 129.09).
- Reiterate the Florida Constitution’s description of the clerk’s duties (Sections 28.12 and 125.17).
- Establish prompt payment requirements for payment requests received by the clerk’s office as follows: 45 days for non-construction services and commodities, and 20 or 25 business days for construction services payment requests (Sections 218.73 through 218.74).

Payment requests may be subject to detailed requirements of federal and state law, the County Administrative Code, the County Purchasing Ordinance, County Policy and Procedure Manuals, and varied specific guidance expressed in contracts or grants approved by the Board.

The Department is responsible for auditing requests for disbursement of funds controlled by the Board. The audits ascertain and certify that the requests are in compliance with applicable laws and regulations, within authorized

appropriations, limited to public purposes and supported by proper evidence of receipt of the goods or services ordered.

For Fiscal Year 2006, the Department processed nearly 203,000 invoices and disbursed \$1.6 billion, which included over 88,000 checks and 587 electronic payments. Electronic payments account for 47% of the total dollar payments. Payment requests include all non-salary payments for the Board and its County departments but exclude constitutional officers who have their own payable functions. For the first nine months of Fiscal Year 2007, the Department disbursed \$1.36 billion, which included approximately 69,000 checks and 901 electronic payments.

The Department is divided into three functional areas (Purchase Orders, Contracts & Grants and Special Payables) and the Systems Support area. The functional areas, or "sections," process payment requests that originate from purchase orders, contracts, and grants, or other types of special payments. The Systems Support area includes a check processing unit that prints, validates and distributes checks as well as prepares and submits warrant lists for Board approval. The Systems Support area is also responsible for management analysis and performance measurement. The Department is staffed by one manager and 38 budgeted positions, with a Fiscal Year 2007 operating budget of \$2.37 million. Three supervisors, one accountant and two systems support clerks report directly to the manager.

Scope and Methodology

The Clerk's Audit Services Department conducted a review of the Department functions. The objectives of the review were to:

- Perform a risk assessment to identify risks and vulnerabilities impacting the department.
- Design review work to evaluate the adequacy of procedures and internal controls in areas deemed high risk. Execute testing of select areas including the following procedures.
 - Select a sample of 60 check and EFT payments to assess the adequacy of controls to prevent erroneous, unsupported or untimely payments.

- Evaluate the legislative requirements and operating efficiencies in the process to release payments prior to Board approval.
- Determine that disaster recovery plans and business continuity plans are in place.
- Determine if goals and performance measures are developed and utilized to assess the success of operations.
- Survey other counties to evaluate their payable processes. Identify best practices and opportunities for improvement.

In order to meet these objectives, we conducted interviews, reviewed policies and procedures, evaluated legislative requirements, evaluated performance measures and reporting and evaluated the internal control environment. Testing of payments included sampling of activity throughout the Department for Fiscal Year 2007. We performed other procedures that were deemed necessary under the circumstances.

Conclusion

Except for the Observations and Recommendations noted in this report, the Clerk's Pre-Audit Department internal control environment was generally adequate to process payments timely and in compliance with established laws. Opportunities to improve controls, update procedures, enhance performance measures, and implement best practices were noted within the Department.

Review Team:

Alan Bray, Manager

Mike Bodle, Senior Auditor

Stuart Grifel, Senior Auditor

OBSERVATIONS & RECOMMENDATIONS

The Clerk's review disclosed certain policies, procedures and practices that could be improved. The review was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the observations and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Early check release processing should be reevaluated with Florida statutes and best practices

The Clerk has interpreted Florida Statute 136.06 (Appendix A) through the years to require Board approval of payments prior to release. Consequently, checks are held by the Department until approval of the warrant list at the next regularly scheduled Board meeting or periodic workshop. When such meetings or workshops are cancelled, the Department authorizes the release of checks in accordance with Palm Beach County (PBC) Resolution R-96-990 (Appendix B). Extensive special handling procedures are required for early release checks. Research performed during the review indicates that many Florida counties have taken a less stringent interpretation of the statute and permit daily release of disbursements. Adopting similar practices would create efficiencies and cost savings within the Department.

The current practice is to provide a warrant list summary to the Board, which reflects all payments generated since the last approved warrant list. The list includes system-generated and manual checks, Electronic Funds Transfers (EFTs) and wires. Early release payments disbursed prior to Board approval of the warrant list summary represented 71% of the total dollar amount of the payments disbursed (36% of the total number of payments) in Fiscal Year 2007, increasing from 66% of the total dollar payments in the prior fiscal year.

All EFTs and wires are issued daily as early release payments as a standard practice. Early release checks are printed and sent out daily when a delay would impose a hardship on a vendor or adversely impact County operations, or when required by law, contract or grant terms. Examples of reasons for early release checks include: materials needed for County contracts to avoid work stoppage (e.g., road paving), continuation of County programs dependent on vendor delivery of commodities (e.g., milk delivery for summer camps), emergencies (e.g., rents, utilities) and unreasonable internal delays (e.g., budget or purchasing problems).

The following observations were noted.

- A. Research performed during the review indicates that several Florida counties (e.g., Lee, Orange and Flagler) have found Florida Statute 136.06 to be ambiguous and have taken a less stringent interpretation. F.S. 136.06 states that a "check or warrant, both as to number and amount, person to whom drawn and purpose...shall be recorded in the minutes of the board," but it does not state that disbursements must be approved by the board prior to release.

In 2001, Flagler County obtained an opinion on early release practices from the Florida Attorney General. The opinion (AGO 2001-29) limits the release of payments to those which have been previously approved for payment by the board. However, the opinion further states that whenever the board has determined an expenditure serves a County purpose, by obligating the County through a contract or agreement, the clerk need not obtain specific board approval prior to release of any payment covered by such determination. The AGO opinion was provided for a non-charter county and its relevance should be assessed for charter counties. Also, Resolution 96-990 should be evaluated to determine if the clerk is authorized to release checks daily.

In contrast to Palm Beach County's bi-monthly vendor disbursements, we found that six of the ten largest Florida counties release payments on a daily basis. This includes Broward, Jacksonville/Duval, Miami-Dade, Lee, Pinellas and Orange.

- Hillsborough County's accounts payable function releases those payments that do not require board approval prior to release daily. Such early release payments include board-approved contracts or

similar payments where there is no discretionary action to be exercised.

- Lee County recently changed their policy and now releases disbursements daily. Their county attorneys reviewed Florida Statute 136.06 and determined that original signatures of board members were not required for checks and wire transfers. An agenda item is used to record the commissioners' approval of the disbursements. The Accounts Payable office sends the check and wire registers via email to the commissioners on a weekly basis.

The Department stated that since its inception in 1984, there has been only one known instance where a commissioner questioned a payment before its release.

- B. All checks not coded for early release must be retained in the safe, located in the Department System Support area, until the warrant list is approved. Based on warrant list summaries for calendar year 2006, average checks on hand totaled approximately \$18 million at the time of Board approval of the warrant list (amount reduced by the average value of early release payments).
- C. Early release checks require substantial manual handling by Department supervisors and staff, resulting in incremental operating costs and inefficiencies. The Department's staff mark codes on vouchers requiring special handling to allow separate printing. Systems Support staff separates the early release checks and distributes them to each of the three pre-audit sections for insertion into envelopes. Manual logs are prepared and then maintained in the Systems Support and Finance reception areas to track early release check receipt and subsequent distribution to the appropriate party. Department staff must also handle requests received via telephone and e-mails from vendors and departments regarding payment status.
- D. No formal policy has been developed that defines which vendors are designated to receive early release payments. The Department issued a memo to the Clerk's attorney in January 2006 that listed the vendors receiving early release payments. The Department manager and supervisors exercise discretion in adding and deleting vendors on the list. This issue must be re-evaluated and vetted through senior management.

Recommendations:

The Department should:

- A. Request the Clerk's attorney to render an opinion of the payment approval requirements of the Board as defined in F.S. 136.06, with consideration given to AGO 2001-29 and PBC Resolution R-96-990.
- B. Revise the payment distribution process based upon the opinion rendered by the Clerk's attorney in recommendation A.
- C. Depending on the decisions made in recommendations A and B above, implement an updated policy that addresses the proper handling of payments.

Management Responses:

- A. Agree. We will submit a request to the Clerk's attorney to negotiate with the County attorney for a revision of Resolution R-96-990 to authorize daily release of checks by the Clerk after determination by the Board of a County public purpose and determination by the Clerk that the expenditures are authorized and legal.
Target Completion Date: 5/30/2008
- B. Agree. We will revise the payment distribution process based upon any authorization provided by revision of PBC Resolution R-96-990.
Target Completion Date: 6/30/2008
- C. Agree. Depending on the decisions made concerning recommendations A and B, we will develop and implement an updated policy to address the proper handling of payments.
Target Completion Date: 7/31/2008

2. Controls over safeguarding checks require improvement

Safeguarding of system-generated checks and early release checks held in the Finance reception area awaiting pick up require strengthening.

System-generated checks awaiting final release after Board approval of the warrant list summary are placed in the Department's safe on a daily basis. While certain controls are in place over the checks, the following observations were noted:

- The safe combination has not been changed since the County purchased it over three years ago. The Department stated that two current employees assigned to this area have safe access as well as one other individual now working in another area. There was no log in place to verify which staff members were given safe access.
- Access to the safe does not require dual control (e.g., two combination dials, two keys, or a combination dial and one key). Access to the safe is not monitored. Individuals entering the safe are not required to sign a log.
- Checks stored in the safe are not inventoried routinely or on a spot basis. Also, an inventory listing of the checks on hand in the safe is not maintained. A check register lists the checks placed into the safe as well as special handling checks not placed into the safe. These documents do not provide a current list of the checks in the safe at any given time; therefore, any checks lost or stolen would be difficult to detect.
- System-generated checks are printed daily in an unsecured, open area.

Checks designated for early release are signed out from Systems Support by Department supervisors and brought to Finance for pick up. A review of the controls within Finance identified the following observations.

- During the day, checks are kept in a locked, see-through cabinet. The key is kept in the lock during the day and the area is not always tended.
- Checks not picked up by the end of the day are stored overnight in a locked filing cabinet. The key to the filing cabinet is stored in an unlocked desk drawer.
- The front door to the area is locked at 5:00 PM daily when staff leaves for the day. However, all Finance employees, cleaning crews and contracted support staff have uncontrolled access to the area.

The Department notifies the bank in advance of all checks authorized for payment to reduce the risk of fraudulent check presentation. Referred to as positive pay, the Department provides a file to the bank with the check number, date, amount and vendor code for all checks issued. However, the payee name is not provided to the bank; therefore, the effectiveness of this control is reduced and fraudulent alteration of payee would not likely be detected.

Recommendations:

The Department should:

- A. Change the safe combination on a periodic basis and any time an individual no longer requires access (e.g., transfer or termination). Maintain a log of individuals with safe access.
- B. Place the combination in a sealed security envelope and store it in a management safe outside the Department's Systems Support area to ensure access is maintained in emergency circumstances.
- C. Require dual access to enter the safe. A log should be maintained and signed by both individuals when the safe is accessed. Consideration should be given to acquiring a dual access safe (e.g., two combination dials, two keys, or one combination dial and one key).
- D. Assign someone who does not have access to the safe to perform check inventories on a periodic basis. Develop the ability to generate a current listing of checks stored in the safe at any given time to support this periodic inventory process.
- E. Re-locate the check printer to a more secure area.
- F. Secure the keys to the two cabinets used to store the checks during the day and overnight.
- G. Strengthen the positive pay control feature by including payee names on the file submitted to the bank for all checks issued.

Management Responses:

- A. Agree. We will develop and implement a policy to include changing the safe combination on a periodic basis or any time an individual no longer requires access. We will also maintain a log of individuals with safe access.
Target Completion Date: 5/30/2008
- B. Agree. We will include the reviewer's recommendation for securing the safe combination in developing the safe access policy.
Target Completion Date: 5/30/2008

- C. Agree. We will include the reviewer's recommendation for requiring dual access and logging access in developing the safe access policy.
Target Completion Date: 5/30/2008
- D. Agree. We will develop a policy and procedure for weekly inventory of checks to be performed by someone who does not possess safe access or does not approve payment requests. We will develop a check inventory report for reconciliation of checks stored in the safe to logs maintained by Systems Support and the Finance Reception area.
Target Completion Date: 5/30/2008
- E. Agree. We re-located the check printer to the Systems Support area and eliminated print access capabilities by non-Systems Support staff.
- F. Agree. We will secure the keys to the two cabinets used to store checks during the day and overnight.
Target Completion Date: 4/30/2008
- G. Agree. Revision of the Positive Pay file was requested and is included on the Clerk's Information Technology (IT)/ISS task list for Advantage 3.7 post implementation (item #110). IT testing of the Wachovia requirements is pending.
Target Completion Date: 7/31/2008

3. Some early release check requisition and distribution responsibilities are not segregated

Department accounting clerks are responsible for requesting early release checks as well as receiving and releasing the checks. Customary controls would require the segregation of these duties so that an individual who requests a check does not receive the check for distribution, which reduces the risk of theft or loss.

In all three Department sections, accounting clerks are responsible for the data entry of codes on check requests to designate a payment for early release. Section supervisors (or clerk coordinators in their absence) review, approve and sign out all special handling checks from Systems Support for early release. The early

release checks are returned to the requesting accounting clerk to insert stuffers or manually revise vendor addresses. These checks are prepared for mailing or pick up at the Finance reception area.

Recommendation:

The Department should:

- A. Segregate the early release check request process from the check handling and distribution process so that no individual is responsible for these combined functions. If this is not feasible, consider having section supervisors prepare checks for distribution for each other's section so that supervisors do not handle checks requested for their own area.

Management Response:

Agree. Responsibility for data entry of special handling check codes was segregated from check handling and distribution. The early release check policy will be revised to limit authority for approval and handling of early release checks to the Department manager and supervisors only.

Target Completion Date: 5/30/2008

4. Monthly quality assurance testing does not include all payment activities

The Department initiated monthly quality assurance testing of checks in January 2007. The purpose is to proactively detect non-compliance with policies and performance standards, document and report the findings for supervisory review, take corrective action (including training) and monitor performance results. The following observations were noted.

- The sampling process did not include testing of EFTs and manual checks. Management began including such testing during the review.
- Since January 2007, the sample size has averaged 76 checks, focusing most heavily on purchase orders based on the volume of invoices processed. However, construction projects and social programs generally have high

dollar payments or are more susceptible to error than purchase order payments.

- Three measures are tracked that are not communicated to County departments. The measures include 1) purchase orders set up after the date of the vendor invoice, 2) receivers set up over 10 days after the shipping date or before the goods were shipped, and 3) number of days from invoice date to the Department's receipt stamp-in date.

Recommendations:

The Department should:

- A. Re-evaluate sample selection procedures by including EFTs and manual checks. During the review, the department included these payments in their sampling.
- B. Increase sampling of contracts and grants payments given their higher vulnerability to erroneous claims. Management should also consider expanding the sample size if resources permit. For example, the City of Jacksonville tests 100 items monthly and Hillsborough County tests a maximum of 160 monthly.
- C. Communicate to the County departments the results of the three measures that track the set-up of purchase orders and receivers and the timeliness of forwarding invoices to the Pre-Audit Department.

Management Responses:

- A. Agree. Sampling of EFTs and manual checks was initiated during the review. We will continue to include review of EFTs and manual checks in sample selection procedures.
- B. Agree. We will implement separate sampling and performance review of grants and contracts payments. Sample size will be based on random selection statistical sampling.
Target Completion Date: 5/30/2008
- C. Agree. We will evaluate the use of either a timeliness report generated from AMS Advantage or if not feasible, the results of quality assurance testing to

communicate timeliness data to County departments for purchase orders, receivers, and invoices.

Target Completion Date: 5/30/2008

5. Some inaccuracies were identified in the Management Operating System reports

Daily and weekly Management Operating System (MOS) reports are maintained by the Department to manage staffing and workflows. Some inaccuracies in the workload and backlog data were noted.

Employees manually record operating data daily (e.g., invoices received, invoices processed, backlog), which is summarized on daily and weekly spreadsheets and the weekly Manager's MOS. Employee productivity data is calculated daily based on time standards for processing activities and volume received.

The following observations were noted:

- A. MOS data is not always accurate. A review of the MOS reports from January 2006 to July 2007 identified inaccuracies in the current backlog calculation. The reported work processed consistently exceeded the work received though the backlog trended upward. The Department attributed the differences primarily to the manual counting of workload and backlog, which is error-prone. We noted that on some days the MOS reported no incoming workload, which is unlikely given the volume.
- B. Standards measuring the estimated time required to process an activity are not updated periodically. Time standards were last updated by the three pre-audit sections during 2005 and 2006 though processing times for certain tasks have since changed. For example, the number of invoices processed has decreased but the average number of lines of data per invoice has increased substantially. Also, grants now require additional review of claim information before payment.

Recommendations:

The Department should:

- A. Ensure accurate data is captured by staff and reported in the MOS. The pending workload results should be checked by management on a regular basis.
- B. Update the activity time standards annually and when significant processing changes occur.

Management Responses:

- A. Agree. A new Crystal report has been designed to extract actual data entry volumes from the financial system. Re-design of the MLR/MOS report is completed and will be tested for roll-out.
Target Completion Date: 5/30/2008
- B. Agree. Actual data will be collected on an ongoing basis through the redesigned MLR. Comparisons with time standards will be performed to facilitate work assignments and performance measurements.
Target Completion Date: 6/30/2008

6. Continuity of Operations (COOP) plans in development do not identify an alternate site for essential Pre-Audit functions

The Clerk's office has initiated a comprehensive office-wide continuity of operations (COOP) plan, with attention placed on the highest priority functions (e.g., Court system operations, Payroll and Pre-Audit). The Clerk has contracted with an outside vendor and delivery of the final plan is anticipated shortly. At the time of our review, the Department does not have an alternate site identified nor connectivity established for staff to continue essential functions should the Government Center be unavailable for operations for an extended period. This could restrict processing of vendor payments if an emergency arose.

COOP planning requires identification of essential functions, systems, facilities and staff that would be available in case of an emergency. Testing of planned capabilities is also part of COOP planning.

Information Systems Services (ISS) provided information that AMS Advantage 3.7 resides on a server at the Emergency Operations Center (EOC) to support the

Department. However, the EOC does not have sufficient space for the Department's staff to operate. COOP plans should identify a remote site (e.g., North or South County branches) and connectivity should be established to ensure staff has workspace and access to AMS Advantage in case of any emergency.

Recommendation:

The Department should:

- A. Identify an alternate site and establish connectivity for staff to process vendor payments in case of an emergency, which is considered an essential function by the Finance Division.

Management Response:

Agree. The Clerk's Royal Palm Beach office has been selected as an alternate site for printing checks. The Clerk's IT Department is planning to conduct testing during the first week of May 2008. Alternate sites for staff are still being evaluated.

Target Completion Date: 5/30/2008

7. Standardized procedures have not been completed for some key work activities

Standardized procedures have not been developed or updated for some of the department's key work activities.

The Department's procedures are in various stages of completion, with the majority in place and some requiring development. Certain procedures require update to reflect changes to the AMS Advantage system implemented in 2004. The Department recently developed a new standardized procedure format and a centralized indexing system to monitor and control the update process.

Current standardized procedures help to ensure consistency in the quality of work. Organizations have found that conducting a workflow analysis can be a valuable exercise when updating procedures. Workflow analysis reveals

opportunities for streamlining processes, identifying job related training needs and developing individual and department performance standards.

Recommendation:

The Department should:

- A. Continue efforts to update and implement procedures based on specific completion dates and assignment to responsible individuals. Workflow analyses should be prepared where deemed appropriate.

Management Response:

Agree. Procedures exist for key work activities in various formats. We will continue to convert existing procedures to the new standardized procedure format that was implemented in 2007 and develop new procedures using the new format. Workflow analysis and flowcharting will be performed when appropriate.

Target Completion Date: Ongoing

8. Customer feedback is no longer solicited

The Department discontinued soliciting customers' feedback through surveys and questionnaires in January 2007.

Conversations with management disclosed that the surveys were discontinued as the questions were deemed too generic and not specific to pre-audit functions, thereby providing minimal value.

Without customer feedback, management may be unaware of deficiencies in service delivery and the need for improvements. In addition to identifying improvements, customer feedback is useful in determining training needs and measuring employee and/or team performance. Proper design and targeting of the surveys is essential to their usefulness.

The Clerk's office is currently revamping its overall customer survey process and expects to have Internet capability for responses. Management will begin to identify the methodology of collecting surveys through the web in 2008.

Recommendation

The Department should:

- A. Develop customer satisfaction questions specific to the Department. Continue to use the basic measurements (quality, timeliness, accuracy, knowledge and professionalism) found in all Clerk's office surveys and add a question to identify which pre-audit section provided the service. The survey should be sent on a periodic basis using a random sample of vendors and County departments. Respondents may be encouraged to answer the survey via Internet when available.

Management Response:

A new electronic customer satisfaction feedback kiosk is being evaluated for the Finance reception area as an alternative to direct mail-out of customer comment cards. Hardware purchase and installation is pending budgetary approval. Target Completion Date: 7/31/2008

9. Pre-Audit staff must handle numerous calls from vendors requesting payment status

The Department's staff responds to an increasing number of calls and e-mails from vendors and County departments, most often from vendors seeking the status of expected payments. This reduces the time available for critical payment processing activities.

Opportunities exist to create efficiencies. Within the AMS Advantage system, there is "View ADV" option that would allow vendor inquiry. Once a password is issued to allow access to View ADV, a vendor could enter the system and determine the payment status. Procedures would be required to train or guide vendors in retrieving the information needed. Also, management should coordinate with the Clerk's IT Department and ISS to ensure that proper controls exist to prevent unauthorized access to the database.

Other counties have taken similar actions to address these telephone interruptions. For example, Miami-Dade and Broward Counties have

implemented a vendor inquiry system that allows vendors to directly access the payables database and determine the payment status. Likewise, Polk County is currently in the process of implementing a vendor inquiry system.

Recommendation:

The Department should:

- A. Coordinate with the Clerk's IT Department to implement an easy-to-use, on-line vendor inquiry process using View ADV or similar technology to reduce the number of calls and e-mails received regarding payment status.

Management Response:

Agree. Development of an online vendor inquiry has been submitted to Clerk's IT as a requested AMS Advantage improvement. The check description enhancement is being developed and tested. Final implementation is dependent upon AMS change approval and IT resourcing.

Target Completion Date: 7/31/2008

10. Additional processing time is required for invoices received from certain vendors

Master agreements for certain vendors include discount terms that result in net unit prices extended out three or four digits to the right of the decimal place. However, the vendor invoices received by the Department record the line items using only two digits (rounded to the nearest penny). Thus, the invoiced line item prices do not match the unit prices recorded in AMS Advantage.

These price differences require account clerks to perform additional steps in processing the invoices in AMS Advantage. Specifically, clerks must truncate the price for each line item during data entry, notate justification when the invoiced unit price is less than the price entered into AMS, and enter an override code in AMS Advantage to avoid leaving a balance due.

Three master agreements involving 13 vendors include such pricing and discount terms, including Office Depot. We are not able to determine the incremental processing time required by the clerks.

Recommendation:

The Department should:

- A. Eliminate this processing inefficiency by coordinating with the County purchasing director to ensure discounts are applied in a manner that does not require invoice line items to be adjusted in AMS.

Management Response:

Agree. We have internally discussed the differences between master agreement discount terms and line item recording in AMS. We need to identify scenarios and document the various problems encountered prior to meeting with the County purchasing director.

Target Completion Date: 5/30/2008

11. Pre-Audit review of one vendor's invoices is prohibited due to inadequate information

The County orders library books from Baker and Taylor. Invoices are sent with book shipments to the individual library locations. Receiving reports arbitrarily list the unit price of each invoice as \$1.00 and the quantity is recorded as the combined total invoice price (i.e., quantity of books invoiced times the actual unit price). Therefore, the Department is not able to review and verify the invoices prior to releasing payment. Payments to this vendor totaled \$1.5 million in Fiscal Year 2006 and \$1.2 million in the first nine months of Fiscal Year 2007.

Recommendation:

The Department should:

- A. Continue their coordination with the Clerk's IT Department (in progress prior to this review) to convert Baker and Taylor to an electronic data interchange (EDI) partner. This will allow electronic exchange of purchase agreements, delivery orders, receiving information and invoices between the County Library Department and the vendor.

Management Response:

Agree. The Department will continue to coordinate with the Clerk's IT Department to convert Baker & Taylor to an EDI partner.

Target Completion Date: 7/31/2008

12. Opportunities exist to consolidate multiple checks into a single check payment

Special Payables has a list of payment types for which single checks are created as a standard practice. This practice results in generating multiple checks to the same vendor on the same day, which was confirmed during our review. Efficiencies may be gained by consolidating multiple payments into a single check.

Recommendation:

The Department should:

- A. Re-evaluate the practice of creating individual checks for certain vendors. Where feasible, create consolidated checks on days when a vendor is paid for multiple billings.

Management Response:

Agree. Department supervisors were reminded of the need to consolidate checks when feasible. Many individual checks continue to be required due to the needs of various vendors.

13. Performance measure reporting should be enhanced

Performance measure reporting should be enhanced by trending the results over longer time periods in a clearer presentation, expanding the formal standards used and increasing the measures reported.

The Department currently tracks various performance measures on the daily and weekly Management Operating System (MOS) report as well as effectiveness measures via the monthly quality assurance check sampling results. While certain trend data is captured on various reports and worksheets, the Department could enhance overall performance reporting by providing trends of key measures over relevant periods (monthly, quarterly, annually) in a clearer format. While standards (targets) are in place for certain measures, the Department should establish such standards for all key performance measures. Also, consideration should be given to adding other key performance measures.

Recommendation:

The Department should:

- A. Replace or redesign the current MOS report to track and report existing and any new performance measures. Coordinate these efforts with the Clerk's organization-wide performance measurement tracking and reporting initiative.

Management Response:

Agree. A new MLR report is being implemented to replace the MOS report. Testing and training is underway and any required revisions will be implemented.

Target Completion Date: 5/30/2008

14. Pre-Audit utilizes manual filing and retrieval of invoices

The Department utilizes manual filing and retrieval of invoices. The use of scanning technology would create cost savings and operating efficiencies. The Finance Division purchased scanning equipment, which the Department plans to use for scanning paid voucher packages in 2008, though a project plan has not yet been developed.

Scanning technology will create cost savings and efficiencies as original documents are scanned and accessed electronically when needed. In addition, electronic records can be backed up and stored off site, significantly reducing

storage space in Records Management. Electronic documents can be retrieved quicker and cheaper, and are less likely to be lost or misplaced.

The use of scanning technology for accounts payable operations in the private and public sectors continues to grow. A 2006 study compiled by Power Decisions Group of San Francisco found that 32% of the 400 organizations surveyed (including government) scan all of their invoices. The benchmarking survey conducted during this review found that three of the ten largest Florida counties (Lee, Brevard and Volusia) have implemented scanning technology in accounts payable. Also, Hillsborough and Polk counties are launching this capability.

Recommendation:

The Department should:

- A. Research the experience of other Florida counties and other public and private sector organizations that have successfully implemented scanning technology. Invoices and related documents will be the first items scanned by the Department, though other opportunities should be explored such as scanning contracts. Utilize a project management tool and methodology. The Department stated that design and implementation will follow efforts planned within the Minutes Department.

Management Response:

Agree. The Department will begin development and implementation of scanning technology, utilizing project planning tools, after efforts are completed within the Minutes Department.

Target Completion Date: 7/31/2008

APPENDIX A

Florida Statute 136.06

Select Year: 2007

The 2007 Florida Statutes

[Title XI](#)
COUNTY ORGANIZATION AND INTERGOVERNMENTAL
RELATIONS

[Chapter 136](#)
COUNTY
DEPOSITORIES

[View Entire
Chapter](#)

136.06 Withdrawal of funds from depositories; direct deposit; transfer of funds.--

(1) All money drawn from any depository qualified under the provisions of this chapter shall be upon a check or warrant issued by the board or officer drawing the same, said check or warrant, both as to number and amount, person to whom drawn and purpose for which drawn shall be recorded in the minutes of the board having ordered the same drawn, and each check or warrant so drawn shall be signed by the chair of said board, attested by the clerk or secretary of said board with the corporate seal thereof affixed; however, money under the control of any school board may be withdrawn as may be otherwise provided by law.

(2) For the purpose of providing for the direct deposit of funds under the circumstances herein specified, each board or county officer authorized by law to issue checks or warrants for the withdrawal of money from a depository qualified under the provisions of this chapter is authorized to establish the form or forms of warrants for the withdrawal, payment, or disbursement of money out of such qualified depository and to change the form thereof from time to time as such board or officer deems appropriate. If authorized in writing by the payee, such warrants may provide for direct deposit of the funds to the account of the payee in any financial institution which is designated in writing by the payee and which has lawful authority to accept such deposits. The written authorization of the payee shall be filed with the appropriate board or county officer. Direct deposit of funds may be by any electronic or other medium approved by such board or officer for such purpose.

(3) Notwithstanding any other provision of law, each board or county officer who has the authority to deposit or withdraw funds is authorized to transfer funds from one depository to another or within a depository or to another institution, and may transfer funds wherein the transfer does not represent an expenditure, advance, or reduction of cash assets. Such transfer may be made by electronic, telephonic, or other medium; and each transfer shall be confirmed in writing and signed by the designee of the board or officer.

History.--s. 7, ch. 6932, 1915; RGS 1564; CGL 2409; s. 4, ch. 59-23; s. 1, ch. 69-300; s. 6, ch. 78-406; s. 1, ch. 82-104; s. 835, ch. 95-147.

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APPENDIX B

Palm Beach County Board of County
Commissioners Resolution No. R-96-990

RESOLUTION NO. R-96-990

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, AUTHORIZING THE CLERK OF THE BOARD TO ISSUE AND RELEASE COUNTY WARRANTS TO PAY THE DEBTS OF THE COUNTY DURING CANCELED BOARD MEETINGS.

WHEREAS, the Board of County Commissioners of Palm Beach County, Florida, authorizes the issuance and release of County Warrants to pay the debts of the County during each regularly scheduled meeting of the Board; and

WHEREAS, from time to time it becomes necessary for the Board of County Commissioners to cancel a regularly scheduled meeting;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, that the Clerk of this Board be and is hereby authorized to issue and release Warrants to pay the debts of the County that shall have matured, at such time as a regularly scheduled meeting of the Board has been canceled, the payment of which debts have been authorized by the Department Heads and Division Directors who are authorized to approve vouchers for payment of such debts and for which payment has been pre-audited by the Clerk's Office and found to be within available budgeted funds.

The foregoing Resolution was offered by Commissioner Marcus, who moved its adoption. The motion was seconded by Commissioner Roberts and, upon being put to a vote, the vote was as follows:

COMMISSIONER KEN L. FOSTER	-Aye
COMMISSIONER BURT AARONSON	-Absent
COMMISSIONER MAUDE FORD LEE	-Aye
COMMISSIONER MARY MCCARTY	-Absent
COMMISSIONER KAREN T. MARCUS	-Aye
COMMISSIONER WARREN H. NEWELL	-Aye
COMMISSIONER CAROL A. ROBERTS	-Aye

The Chairman thereupon declared the Resolution duly passed and adopted this 23 day of July, 1996.

APPROVED AS TO FORM AND LEGAL SUFFICIENCY

PALM BEACH COUNTY, FLORIDA BY ITS BOARD OF COUNTY COMMISSIONERS

Dorothy H. Wilken, Clerk

of Writing, Typing or Printing unsatisfactory in this document when received.

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By: _____ County Attorney

By: Michelle Hall Deputy Clerk

R96 990 D

