

Management Letter

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated April 10, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Special-Purpose Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 10, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address finding and recommendations in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in Note 1 of the Notes to the Special-Purpose Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. The following recommendations were made.

2016-001 Bank reconciliations

Bank reconciliations during the fiscal year audited were not performed timely, and certain cash receipts were not deposited timely. The reconciliations should be performed and any issues identified in the process resolved in a timely manner. Performance of bank reconciliations, including timely disposition of differences, is a key control over the cash receipt and disbursement functions. By not timely identifying and resolving these differences, recorded balances in the general ledger may be incorrect and certain internal controls over the cash receipts and disbursements processes may be ineffective. Reconciling the bank account in a timely manner will allow reconciling items to be addressed more quickly, which will increase the likelihood of early detection and resolution of issues, should they arise. We recommend the Board fill vacant positions to help ensure that bank reconciliations are performed timely.

Management's response:

Due to an unprecedented amount of turn over within Finance during the last year, in addition to the existence of four vacancies in key positions including the bank reconciler, reconciliations were delayed. The four vacancies are currently in the process of being filled and the four Finance managers appointed within the last six month are gaining organizational efficiency and knowledge of their roles daily. Timeliness issue will not be a concern with the completion of these actions.

2016-002 – IT Controls

Our inspection of user access rights identified twelve Banner (the BOCC's general ledger system) users had combinations of Banner classes and forms allowing the ability to update employee positions, to update employee data and to run employee payroll. MIS Division personnel removed access permissions of three of the twelve users to human resource and payroll supervisor classes and determined that the remaining users' access was appropriate. However, the existence of unnecessary user access rights demonstrates the need for improved monitoring of Banner access rights. We also noted that Banner user accounts still existed for two terminated employees. Although the two former employees had been removed from network access, the risk that their Banner accounts could be accessed and misused by other employees with access to the Board network still exists.

Mitigating controls such as user controls, reconciliation procedures, and monitoring of user access by Finance and Human Resource offices exist to minimize the risk of undetected and unauthorized update activity. Access management duties are also separated in that the MIS Division adds and disables users and the Treasury Manager assigns the classes and forms.

We are aware that the BOCC plans to make significant upgrades to the Banner system that will include improvements to Banner access controls. Plans include rebuilding Banner access based on newly developed access roles and developing additional Banner access monitoring reports. We recommend that the Banner upgrade of improvements to granting, removing and monitoring access rights be a high priority in the upcoming fiscal year.

Management's response:

The Banner upgrade including the rebuild of access rights is a top priority of management. The Office of Information and Technology is currently working with Banner leadership in order to confirm the implementation calendar. The Banner upgrade is expected to be underway by this summer.

2016-003 – Duplicate invoice

The existence of a duplicate vendor payment was identified through our tests of vendor payments and discussions with management. The duplicate payment was not detected due to override of a system control that prevents duplicate invoice numbers from being entered. Due to this condition, management inspected all invoices processed by the employee that overrode the control during a 5 month period and also evaluated all accounts payable transactions for evidence of other duplicate invoices paid for that period. Those procedures performed by management identified no additional duplicate payments. To correct the this deficiency in controls over vendor payments management retrained both Disbursement and General Accounting staff on procedures for auditing invoices, re-implemented the policy of printing, reviewing, and signing

off on the Open/Pending Invoices Report and requested an automated work flow queue to be included with the implementation of the new financial software Banner 9.0. Management is also developing a consistent naming convention for payment requests that do not include a vendor provided invoice number. We recommend the Board and the County's internal audit department continue to perform monitoring over this process and that training be provided to accounts payable personnel regarding the newly implemented procedures. We recommend the Board implement a timely review process to detect any overrides of the newly implemented system controls.

Management's response:

The implementation of the Banner upgrade will greatly decrease the possibility of a duplicate payment being processed, even in instances such as this \$37.09 payment which is routinely processed on separate invoices more than once in any given month. The current paper driven disbursements process does not afford the level of control and automation that the soon to be implemented electronic workflow will provide. Again, implementation of the Banner upgrade is expected to be underway by this summer.

2016-004 – Purchase Card Policies and Procedures

The use of Purchase Cards (P-cards) has become a convenient and efficient approach for making budgeted purchases. As a result, the volume of P-card transactions continues to increase each year. Our tests of controls and application of P-card policies identified several instances where controls could be strengthened. Such instances relate primarily to travel expenses paid with a P-Card, account coding for P-Card purchases, and inclusion of all necessary documentation supporting the P-Card transaction. We recommend that P-Card policies be reevaluated to ensure supporting documentation demonstrates proper calculation, coding and approval of travel related expenses. We also recommend that annual training be provided to employees regarding use and approval of the P-Card transactions. Use of the P-Card privileges should be suspended if approved policies are not followed.

Management's response:

Management is currently reviewing the P-Card policy as well as considering the implementation of an automated P-Card module. In addition, enhancements to the current records management system have been implemented allowing immediate identification of any P-Card transaction that is not supported by appropriate documentation.

2016-005 – Adjustment for the Magnolia Drive Multi-Use Trail

While performing single audit procedures on the Magnolia Drive Multi-Use Trail, we noted that current year expenditures, revenue, and accounts receivable were understated. Funding for this program is provided by the Florida Department of Transportation, the City of Tallahassee, and Blueprint 2000. The expenditures shown on the Schedule of Federal Awards and State Financial Assistance were determined from a formula based on the total funding provided from the Florida Department of Transportation divided by the total funding to be provided from all three funding sources times the total expenditures incurred for the project as of September 30, 2016. The methodology utilized for accounting for current year expenditures and amounts recorded as revenue and accounts receivable did not accurately reflect the appropriate amounts which were attributable to federal funding received from the Florida Department of Transportation. As a result, an adjustment was made to increase revenue by \$304,467; reverse deferred revenue of \$87,330; and record accounts receivable in the amount of \$217,137. This entry also resulted in an increase in expenditures from \$194,041 to \$498,508 on the Schedule of Federal Awards and State Financial Assistance. We recommend that in complex funding situations such as this, the methodology utilized for reporting expenditures on the Schedule of Federal Awards and State Financial Assistance should be carefully assessed to ensure that expenditures related to federal funding are appropriately reported.

Management's response:

We agree with the recommendation. All projects that are comprised of multiple funding sources should be closely monitored in order to ensure proper allocation of expenditures to the appropriate funding sources. Management will work with project managers to incorporate stronger expenditure tracking processes and procedures.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

The Board's responses to the Management Letter findings identified in our audit are included in this letter. We did not audit the Board's responses and accordingly we express no opinion on the responses.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of County Commissioners of Leon County, Florida and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Thomas Howell Ferguson P.A.
Tallahassee, Florida
April 10, 2017



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