



THE HONORABLE  
**GWEN MARSHALL**

CLERK OF THE CIRCUIT COURT AND COMPTROLLER  
CLERK OF COURTS • COUNTY COMPTROLLER • AUDITOR • TREASURER • RECORDER

**DIVISION OF INTERNAL AUDITING**

Audit No. 22A-03  
Disbursement Cycle – Accounts Payable Review

August 10, 2022

### **What We Did**

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The Division of Internal Auditing (IA), in accordance with its 2021-2022 annual audit plan, evaluated the Accounts Payable (AP) processes for the Clerk of Court and Comptroller's operations. The objective of this engagement was to determine whether current procedures are suitable to process disbursements accurately and timely while maintaining an effective control environment.

IA reviewed AP-related processes to assess governance, risk management, and internal controls. The evaluation included:

- Researching the industry's best business practices to understand relevant risks and controls
- Reviewing internal policies and procedures to evaluate the design of the existing internal controls framework
- Interviewing process owners to learn about their roles and their familiarity with AP policies and procedures
- Interviewing management and staff to assess training including fraud risks, prevention, and detection
- Reviewing AP-related database tables for proper access and timely deactivation of obsolete vendors and terminated employees
- Reviewing system access controls to determine the existence of adequate segregation of duties and appropriate assignment of roles
- Reviewing disbursement transactions for fiscal year 2020-2021, to evaluate adequate support, approvals, and controls to prevent and detect duplicate payments
- Reconciling employees' life insurance disbursements to avoid risk of gaps in coverage

### **What We Found (See RESULTS OF REVIEW for additional details)**

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IA identified the following:

- In the review of the system's - Banner - access roles assigned to 11 employees, we noted:
  - There were eight users with access to enter invoices and process checks. *Management removed access from three employees who were not involved in these processes.*
  - There were seven employees with access to void checks. *Management removed access from six employees, left access for the Treasury Manager, and assigned back-up access to the Assistant Treasury Manager.*
  - There were 10 employees with access to modify the accounts receivable ledger. *Management removed access from eight employees who were not part of this process.*
- The Vendor's Direct Deposit table, used to disburse funds electronically, included 27 users with access to modify vendors' bank information. An unauthorized change to the table may

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result in undetected re-routed disbursements. *Management removed access from 24 users and left access for a primary user with two back-ups.*

- The updated Vendor Master File contained 1,715 active vendors as of March 16, 2022. IA flagged 86 records for potential deactivation. *Management deactivated 75 vendors.*
- Eleven users from several divisions had access to modify employees' pay rates. *Management limited access to two Human Resources employees. Payroll staff will have read-only access.* Additionally, IA validated pay rate changes of 17 employees and they were all adequately supported.
- The Invoice Approval table included 28 users, most of whom were not involved in the invoice approval process. *Management deactivated 23 accounts leaving access to five approvers.*
- Two instances of duplicate payments in a review of 332 disbursement transactions.
  - One duplicate payment for \$168.28 due to the vendor's name being registered with two different vendor numbers. *The situation was corrected, and management has contacted the vendor to solve the overpayment.*
  - One instance where an invoice for \$412 was paid twice as the vendor was recorded in the database with two different vendor numbers. *The situation was corrected, and the \$412 overpayment was applied by the vendor to a subsequent invoice.*
- The life insurance premium disbursement process entailed:
  - The Human Resources Department received insurance invoices that were not submitted to AP personnel to support insurance disbursements
  - AP processed payments based on employees' deductions reports only. This resulted in:
    - insurance payments for employees not registered with the insurance carrier
    - employees' deductions greater than amounts invoiced
    - employees' insurance rate changes not reflected on the carrier's invoices
  - Differences between the insurance invoice and employees' deductions reports were not addressed. *As of April of 2022, management revamped this process. The new process ensures immediate reporting of changes to the insurance carrier including employee terminations, additions, and changes to existing policies. The insurance invoice must be reconciled prior to processing disbursements. IA reviewed the April 2022 insurance disbursement and was able to reconcile the details of the invoice to the employees' deductions report.*



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**What We Recommend**

Management took immediate action to address the risks identified during our review. Therefore, our recommendations are specific to the following situations where management should:

- Run the Customs Report depicting employees' pay rate changes and spot check pay rate modifications to ensure they are supported by proper authorization
- Request the development of a script to track the changes performed within the Vendor Direct Deposit table. Once the tracking script is developed, management should review this report periodically to ensure selected changes are properly authorized. Additionally, management should review these tables periodically to ensure they are updated.

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**BACKGROUND AND INTRODUCTION**

The Clerk of Court and Comptroller’s Accounts Payable Department (AP) assists in the fulfillment of the Clerk’s statutory requirements to review county expenditures<sup>1</sup> prior to disbursing funds. It reviews and processes payments associated with the Board of County Commissioner’s (BoCC) and the Clerk’s operations. However, the scope of this engagement is limited to the Clerk of Court’s expenditures.

Disbursement requests are processed when supported by authorized requisitions, purchase orders, and/or contracts. Payments are disbursed via checks or electronic bank transfers commonly known as ACHs. All payroll is disbursed electronically. AP-related processes are led by the Disbursement Manager who reports to the Finance Director. This position oversees daily AP operations, trains new staff, and provides ongoing support to ensure employees perform their assigned responsibilities effectively and efficiently. The Disbursement Manager is supported by an AP Supervisor who joined the organization in March of 2022. The AP Supervisor assists in entering invoices in the system, and reconciling employees’ insurance deductions to the premiums invoiced by insurance companies. This position also oversees two employees responsible for processing general expenses, payroll, and expense reimbursement for Clerk employees. Lastly, there is a position responsible for processing reimbursements and payroll for Board employees.

During fiscal year 2020-2021, the AP staff processed \$9,465,454.99 approximately, in 3,332 disbursement transactions comprised of checks and ACH payments to 464 vendors. However, approximately two-thirds of the disbursements were paid to the top 12 vendors as depicted in **Table 1 – Top 12 Vendors.**

**Table 1 – Top 12 Vendors**

Vendor Name	Amount Disbursed
LEON COUNTY BOCC DEPOSITORY	\$ 2,409,475.58
LEON COUNTY BOARD OF COMMISSIONERS EMPLOYEE BENEFIT FUND	\$ 1,714,280.74
LEON COUNTY TAX COLLECTOR	\$ 527,039.44
CITY OF TALLAHASSEE	\$ 418,514.13
FLORIDA ASSOCIATION OF COURT CLERKS	\$ 403,000.00
STATE ATTORNEY	\$ 319,769.53
SANTA ROSA COUNTY BOARD OF COMMISSIONERS	\$ 223,380.75
OKALOOSA COUNTY BOARD OF COUNTY COMMISSIONERS	\$ 195,398.35
THE BALMORAL GROUP, LLC	\$ 169,795.00
US POSTAL SERVICE - HASLER	\$ 120,000.00
PIONEER TECHNOLOGY GROUP, LLC	\$ 117,483.00
INTEGRATED FACILITY SYSTEMS	\$ 112,436.50
<b>Total Disbursed</b>	<b>\$ 6,730,573.02</b>

<sup>1</sup> Section 136.08 Florida Statutes, (2021), Accounts subject to examination by authorized persons. - The accounts of each and every board and the county accounts of each and every depository, mentioned or provided for in this chapter, shall at all times be subject to the inspection and examination by the county auditor and by the Auditor General.

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A prior review of the purchasing process identified opportunities to enhance the maintenance of the Vendor Master File. Consequently, IA steered its focus on data security and integrity risks associated with the AP process. A summary of the most prominent risks is presented below:

- Employees may have system access to perform incompatible duties increasing the likelihood of unauthorized and undetected transactions.
- Lack of periodic maintenance of the Vendor Master File may lead to vendor overpayments.
- Vendors' and employees' bank information may be at risk of undetected intrusion and re-routing of disbursements.
- Current controls may not prevent and/or detect unauthorized changes to employees' pay rates.
- Payroll changes may not be tracked and monitored to ensure all changes are authorized.
- Invoices may not be paid timely and there may not be a tracking mechanism to determine the aging of the organization's payables.
- Controls may not be adequate to prevent or detect duplicate payments and/or disbursements to terminated employees/obsolete vendors.
- Employees' life insurance coverage may be at risk due to unresolved differences with the insurance carrier.

**Audit Objective(s)**

To evaluate the existence, design, and operating effectiveness of internal controls over the described risks, IA developed the following objectives:

- Determine whether current accounts payable processes and procedures fulfill the department's objective to process payments effectively, accurately, and timely while maintaining an adequate and efficient control environment.
- To determine whether accounts payable controls are adequate to ensure accounts and transactions reported during the period October 1, 2020, through September 30, 2021, were reasonable, legitimate, and adequately supported.

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**RESULTS OF REVIEW**

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IA applied the following auditing procedures:

- Compared written policies and procedures to actual processes and identified no significant differences.
- Reviewed selected access levels granted to five AP staff and six Finance employees in managerial positions to evaluate adequate segregation of duties when assigning access to the organization's financial system. IA noted:
  - Eight employees with access to enter invoices and process checks. *Management deactivated three employees who were not involved in either of these processes.*
  - Seven employees with access to void checks. *Management removed access from six employees who were not involved in the process and left access to the Treasury Manager and assigned back-up access to the Assistant Treasury Manager.*
  - Ten employees with access to change the accounts receivable ledger. *Management removed access from eight employees not involved in the accounts receivable process.*
- Reviewed the Vendor's Direct Deposit Table and identified 27 users with access to change information within the table. This table contains bank information to disburse funds electronically to vendors and employees, and unauthorized changes may lead to undetected electronic disbursements. *Management acknowledged the risk and mitigated it by removing access from 24 users leaving one primary user and two backups.*
- Performed data analytics on the recently updated Vendor Master File containing 1,715 active vendors. IA utilized Excel's conditional formatting and pivot tables and flagged 86 records for potential deactivation. *Management reviewed these records and deactivated 75 vendors.*
- Requested and reviewed the Employees' Pay Rate users report. IA noted 11 employees from several departments had access to change employees' pay rates. IA also learned the system lacks a script to track changes to the pay rate table for management to review. This may lead to unauthorized and undetected pay rate changes. *Management adjusted user access to the Pay rate table restricting the ability to make changes to two Human Resources employees. Payroll staff will have read-only access.* Additionally, IA reviewed 17 instances of pay rate changes from February through April 2022 and determined Human Resources performed these changes with proper authorization.
- Reviewed the Invoice Approval Table and identified 23 user accounts not currently associated with the invoice approval process. Management eliminated these users leaving access for:
  1. Finance Director
  2. Assistant Finance Director
  3. Disbursement Manager
  4. Disbursement Supervisor
  5. Budget Manager

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- Reviewed disbursement table containing 3,332 transactions processed between October 1, 2020, and September 30, 2021. IA applied data analytics with an emphasis on:
  - Duplicate check amounts (discarding disbursements that were eventually voided or for less than \$100),
  - Duplicate or similar vendor names,
  - Duplicate invoice numbers, and
  - Duplicate dates.

IA selected and reviewed 332 disbursement transactions to ensure payments were authorized, reviewed, processed timely, contained adequate support, and included controls to prevent or detect duplicate payments. The review resulted in the following:

- One instance where the same invoice was paid twice to the same vendor whose name was recorded in the system under two different vendor numbers. This payment was for \$168.28. Management corrected the duplicity of the vendor and is attempting to settle the overpayment with the vendor.
- One instance where the same invoice was paid twice to the same vendor whose name was recorded in the system under two different vendor numbers. This payment was for \$412. The overpayment was applied by the vendor to a subsequent invoice.

IA utilized Excel V-look up functions to compare disbursements during the referenced period to terminated employees. One disbursement was identified where the payment was processed after the employee's termination date. However, the payment was justified as it related to an insurance premium refunded to the former employee.

- IA reviewed an Open Invoice report as of September 30, 2021, to ensure timeliness in payments. IA noted seven open invoices dated July 2017. These invoices are erroneously labeled open as management provided evidence of payment (ACH) from the bank.
- Lastly, the review of life insurance premium disbursements included:
  - Payments processed by AP to the insurance carrier based on employees' contributions only. AP did not utilize insurance invoices to process payments. This resulted in:
    - payments for employees not yet listed on the invoice
    - deductions greater than amounts invoiced
    - employee's rate changes not reflected on the invoice
  - Differences between the insurance invoice and employee's deductions were not addressed. The total premiums listed on the insurance invoice did not match the employees' deductions reports reviewed for fiscal year 2020-2021

As of April 2022, the AP Department took over this process and created a new position to manage it. The process was modified to include timely reporting of changes to the insurance carrier including employee terminations, additions, and changes to existing policies. The insurance invoice must be reconciled prior to processing disbursements. IA reviewed the April 2022 insurance disbursement and was able to match invoice totals and details.

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**GENERAL OBSERVATIONS**

During the review of the Clerk of Court and Comptroller's Accounts Payable processes, management took a proactive approach to address and remediate issues as they were communicated. Therefore, this audit report does not include issues requiring the presentation of condition, cause, criteria, effect, and recommendation. Nevertheless, the report includes recommendations specific to the following situations where management should:

- Run the Customs Report depicting employees' pay rate changes and spot check pay rate modifications to ensure they are supported by proper authorization
- Request the development of a script to track the changes performed within the Vendor Direct Deposit table. Once the tracking script is developed, management should review this report periodically to ensure selected changes are properly authorized. Additionally, management should review these tables periodically to ensure they are updated.

**APPENDIX A – Purpose, Scope, and Methodology**

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The **purpose** of this engagement is to determine whether current accounts payable processes and procedures fulfill the department’s objective to process payments effectively, accurately, and timely while maintaining an adequate and efficient control environment, and to determine whether accounts payable controls are adequate to ensure accounts and transactions reported during the period October 1, 2020, through September 30, 2021, were reasonable, legitimate, and adequately supported.

The **scope** of this engagement included the review of disbursement transactions processed during the 2020-2021 fiscal year.

The **methodology** included:

- Researching the industry’s best business practice to understand relevant risks and controls
- Reviewing internal policies and procedures to evaluate the design of the existing internal controls framework
- Interviewing process owners to gain an understanding of their roles and their familiarity with AP policies and procedures
- Interviewing management and staff to assess whether training is provided to staff including fraud risks, prevention, and detection
- Reviewing AP related database tables for proper access and timely deactivation of obsolete vendors and terminated employees
- Reviewing system access controls to determine the existence of adequate segregation of duties and appropriate assignment of roles
- Reviewing disbursement transactions for fiscal year 2020-2021, to evaluate adequate support, approvals, and controls to prevent and detect duplicate payments
- Reconciling employees’ life insurance deductions to the insurance carrier’s invoices to ensure accuracy in the disbursements

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**APPENDIX B – Management Response**

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RE: 22A-03 Disbursement Cycle - Accounts Payable - Audit Report - Draft



Edward E. Burke  
To: Luis Camejo; Gwen Marshall  
Cc: Natalie D. Hill; Travis Stephens

Good Morning Luis,

Finance management agrees with your recommendations.  
We will follow the proposed recommendations.

Both items have already been addressed. A helpdesk ticket was created for the report.  
Disbursements will provide the Salary Changes report along with the disbursement register emails periodically. (either weekly or bi-weekly)



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**DISTRIBUTION**

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**County Administration:**

Alan Rosenzweig, Deputy County Administrator  
Andrew Johnson, Assistant to the County Administrator

**Clerk's Office:**

Gwen Marshall, Leon County Clerk of the Circuit Court, and Comptroller  
Kenneth Kent, COO and Chief Deputy  
Edward Burke, Finance Director  
Travis Stephens, Assistant Finance Director  
Theresa Moore, Disbursement Manager  
Wade England, Treasury Manager

**Division of Internal Auditing:**

Luis Camejo, CIA, Internal Audit Manager  
Natalie Hill, Internal Auditor

**External Recipients:**

**Advisory Audit Committee Members**

Kim Mills, CPA, Chair  
John Keillor, CPA, CIA, Vice Chair  
Cecil Bragg, CPA  
Deidre Melton, CIA, CFE, CISA, CISM, CRISC  
Nancy Shepherd, CPA, CIA

**External Auditor**

Taylor Harmon, CPA – Thomas Howell Ferguson, PA

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**PROJECT TEAM**

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Engagement was conducted by:  
Natalie Hill, Auditor

Under the supervision of:  
Luis Camejo, CIA, Internal Audit Manager

**STATEMENT OF ACCORDANCE**

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The Clerk and Comptroller's mission is to inspire public trust and bring credit and esteem to the organization through integrity, excellence in customer service, financial oversight, and the utilization of technology to ensure accessibility to justice.

The Division's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight to the Clerk and Comptroller and the Board of County Commissioners.

This review was performed in accordance with the International Standards for the Professional Practices of Internal Auditing (Standards).

Please address inquiries regarding this report to the Division of Internal Auditing at (850) 606-4019.