



Interoffice Memorandum

October 25, 2022

TO: Mayor Jerry L. Demings
-AND-
County Commissioners

FROM: Kurt N. Petersen, Director, Office of Management and Budget

K.N.P.

SUBJECT: Consent Agenda Item for November 15, 2022
Acceptance of Audit Report

Section 712 of the Orange County Charter requires the Orange County Board of County Commissioners to order audits, including performance audits, of the Orange County Comptroller. The most recent audit, which focused on the Accounts Payable Process of the Orange County, Florida Comptroller's Office was concluded by the audit company of Withum Audit Tax Advisory on October 18, 2022. The final report is attached for review and acceptance.

ACTION REQUESTED: Acceptance of the Audit Report on the Accounts Payable Process of the Orange County, Florida Comptroller's Office.

KP

c: County Administrator
Clerk of the Board of County Commissioners
Finance
File



ORANGE COUNTY, FLORIDA OFFICE OF MANAGEMENT AND BUDGET
Application of Agreed-Upon Procedures
With Respect to the Accounts Payable Process of the
Orange County, Florida Comptroller's Office
As of September 30, 2021
With Independent Accountant's Report on Applying Agreed-Upon Procedures

**Orange County, Florida Office of Management and Budget
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September 30, 2021**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor Jerry L. Demings
and the Board of County Commissioners,
Orange County, Florida:

We have performed the procedures enumerated on pages 6 through 9, which were agreed to by Orange County, Florida Office of Management and Budget (the "specified party"), solely to assist you in evaluating the accounts payable process of the Orange County, Florida Comptroller's Office Department of Finance and Accounting as of September 30, 2021. The management of Orange County, Florida Comptroller's Office is responsible for the County's accounts payable processes.

Orange County, Florida Office of Management and Budget has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the accounts payable process of the Orange County, Florida Comptroller's Office Department of Finance and Accounting as of September 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated finding are as enumerated on pages 6 through 9 and 10.

We were engaged by the Orange County, Florida Office of Management and Budget to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to, and did not, conduct an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounts payable system of the Orange County, Florida Comptroller's Office Department of Finance and Accounting as of September 30, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Orange County, Florida Office of Management and Budget and Orange County, Florida Comptroller's Office Department of Finance and Accounting and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report on applying agreed upon procedures is described in the first paragraph of this report. This report is intended solely for the information and use of Orange County, Florida Office of Management and Budget and is not intended to be used, and should not be used, by anyone other than those specified parties. Accordingly, this report is not suitable for any other purpose.

WithumSmith+Brown, PC

October 18, 2022



EXECUTIVE SUMMARY

**Orange County, Florida Office of Management and Budget
Executive Summary
September 30, 2021**

We performed agreed-upon procedures with respect to the accounts payable process of the Orange County, Florida Comptroller's Office Department of Finance and Accounting. The objectives of our agreed-upon procedures were:

1. To observe management and control policies and procedures for risk assessment, mitigation, and response.
2. To observe transactions and results to ensure that procedures are being followed.
3. To observe reports and trends for accuracy, cut-off, and classification.
4. To observe policies and procedures to ensure compliance with appropriate rules and regulations.
5. To observe disbursement function including both electronic and physical.
6. To limit the observation to areas of potential risk.

RECOMMENDATIONS

We recommend the following as they relate to the accounts payable process:

MANAGEMENT AND CONTROL POLICIES AND PROCEDURES FOR RISK ASSESSMENT

- The Finance and Accounting Department should implement a policy of formally documenting all risk assessment discussions, including vendor and payment risks, and document such discussions. These discussions should occur regularly with regards to overall risk of the accounts payable population.
- The County Audit Division should consider performing an audit on the Accounts payable function in the future as an audit of this function has not been performed in the past and to ensure coverage of all functions of the Comptroller's Office Finance and Accounting Department.

Refer to Findings, Recommendations, and Management's Responses section for responses from the Orange County, Florida Comptroller's Office.



SCOPE, OBJECTIVES, AND METHODOLOGY

Orange County, Florida Office of Management and Budget
Scope, Objectives, and Methodology
September 30, 2021

The following details the agreed-upon procedures to be performed with regards to this engagement:

TO OBSERVE MANAGEMENT AND CONTROL POLICIES AND PROCEDURES FOR RISK ASSESSMENT, MITIGATION, AND RESPONSE

The scope of management and control policies and procedures for risk assessment consists of the policies and procedures in effect as of September 30, 2021.

Management's objective is to have control policies and procedures set forth by management of the Orange County, Florida Comptroller's Office sufficient to reduce risk related to the accounts payable process to a sufficiently low level.

Procedures performed include the following:

- A. Obtain the Orange County Comptroller, Department of Finance and Accounting, accounts payable policies.
- B. Obtain the Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Procedures Manual.
- C. Obtain the Orange County Comptroller's Office, Department of Finance and Accounting, organizational chart.
- D. Interview the Orange County Comptroller's Office, Department of Finance and Accounting, regarding risk assessment practices.

TO OBSERVE TRANSACTIONS AND RESULTS TO ENSURE THAT PROCEDURES ARE BEING FOLLOWED

The scope of the observation of transactions and results includes all accounts payable ("AP") active accounts for September 30, 2021 and for the period from October 1, 2020 through September 30, 2021.

The objective is to observe procedures in place for the AP process.

The procedures performed include the following:

- A. Select twenty-five (25) payments haphazardly from the Comptroller's Office list of payments made during the period from October 1, 2020 through September 30, 2021. For the payments selected, inspect documentation for payments made during the applicable month. Confirm proper remittances and filings with the Comptroller as follows:
 - 1. Liabilities were posted and flowed through AP during the respective transactions effective term outstanding.
 - 2. Payment was remitted in an amount consistent with the terms of the respective documentation provided.
 - 3. Discounts, if applicable, were appropriately utilized.
 - 4. After AP was recorded the liability was appropriately identified as being posted to limit possibility of duplicated postings and payments.
 - 5. Observe evidence that AP was recorded in the correct period.
 - 6. Observe evidence that AP vendor was listed on an approved vendor listing.
 - 7. Signing authorities were properly followed based on AP Policies and Procedures Manual.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

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September 30, 2021**

8. Payment batch or individual payment was properly approved based on AP Policies and Procedures Manual.
 9. AP cash reconciliation was appropriately performed and reviewed.
 10. After payment was made for the respective liability, the supporting documentation was identified as being paid, and AP recorded was appropriately relieved, to limit duplication of payment.
 11. Vendor maintenance procedures were properly followed based on AP Policies and Procedures Manual.
- B. Obtain the list of AP recorded as of September 30, 2021 and perform the following procedures for each of twenty-five (25) haphazard test selections:
1. Observe evidence that AP is recorded in accordance with applicable policies.
 2. Observe evidence that AP is recorded in correct period.
 3. Observe evidence that AP vendor is listed on an approved vendor listing.
- C. Inspect the AP listing at September 30, 2021 for amounts in excess of 60 days outstanding and inquire about policies for treatment of stale AP amounts.
- D. Interview the Orange County Comptroller's Office, department of finance and accounting personnel regarding their awareness of applicable policies and procedures and the relation of common practices to the applicable policies and procedures.

TO OBSERVE REPORTS AND TRENDS FOR ACCURACY, CUT-OFF, AND CLASSIFICATION

The scope of observation for reports and trends for accuracy, cut-off, and classification includes all AP recorded as of September 30, 2021.

The objective is to sample a selection of accounts for confirmation, inspect documentation for specific characteristics, and testing of completeness of the AP and accruals as of September 30, 2021.

The procedures performed include the following:

- A. Direct confirmation with ten (10) accounts listed on the September 30, 2021 AP detail.
- B. Inspect the same ten (10) accounts confirmed for indications of past due amounts, penalties, and interest.
- C. Select a sample of ten (10) payments made subsequent to September 30, 2021 for indication of any unrecorded liability as of September 30, 2021.

TO OBSERVE POLICIES AND PROCEDURES TO ENSURE COMPLIANCE WITH APPROPRIATE RULES AND REGULATIONS

- A. Obtain the "Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Policies."
- B. Obtain the "Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Procedures Manual."
- C. Obtain the Orange County Comptroller's Office, Department of Finance and Accounting, organizational chart.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

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TO OBSERVE DISBURSEMENT FUNCTION INCLUDING BOTH ELECTRONIC AND PHYSICAL

The scope of the observation for the disbursement function relating to both electronic and physical payments will be to determine that payments are generated in line with the Orange County, Florida Comptroller's Office policies related to AP.

The objective is to test a sample of transactions for AP procedural adherence to determine that they are in place and functioning as intended for both electronic and physical payments.

The procedures performed include the following:

- A. Confirm that journalizing and posting policies are properly followed for a sample of twenty-five (25) haphazardly selected transactions based on AP Policies and Procedures Manual for the period from October 1, 2020 through September 30, 2021.
- B. Confirm that adjustments and reconciliation policies and procedures are followed for September 30, 2021 based on AP Policies and Procedures Manual.
- C. Inspect approvals for ten (10) disbursements haphazardly selected which were posted to the September 30, 2021 AP detail based on the AP Policies and Procedures Manual.
- D. Interview Director of County Audit and Finance and accounting personnel regarding procedures performed regarding review of monthly reports for AP transactions.

TO LIMIT THE OBSERVATION TO AREAS OF POTENTIAL RISK

The scope of the observation is limited to relevant accounting assertions for the AP of Orange County, Florida.

The procedures performed include the following:

- A. The procedure includes discussing the identified risk assertions with the financial auditors as is ordinary and customary.
- B. Interview Finance and Accounting personnel regarding procedures performed regarding review of monthly reports or AP transactions for identification of potential risks.



RESULTS OF AGREED-UPON PROCEDURES

**Orange County, Florida Office of Management and Budget
Results of Agreed-Upon Procedures
September 30, 2021**

TO OBSERVE MANAGEMENT AND CONTROL POLICIES AND PROCEDURES FOR RISK ASSESSMENT, MITIGATION, AND RESPONSE

Step No.	Procedures Performed	No Finding Noted	Finding Noted	Comments/Description
A.	Obtain the Orange County Comptroller, Department of Finance and Accounting, accounts payable policies.	✓		Received from Orange County, Florida Comptroller's Office.
B.	Obtain the Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Procedures Manual.	✓		Received from Orange County, Florida Comptroller's Office.
C.	Obtain the Orange County Comptroller's Office, Department of Finance and Accounting organizational chart.	✓		Received from Orange County, Florida Comptroller's Office.
D.	Interview the Orange County Comptroller's Office, Department of Finance and Accounting, regarding risk assessment practices.		✓	Occurred May 19, 2022.

TO OBSERVE TRANSACTIONS AND RESULTS TO ENSURE THAT PROCEDURES ARE BEING FOLLOWED

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
A.	Select twenty-five (25) payments haphazardly from the Comptroller's Office list of payments made during the period from October 1, 2020 through September 30, 2021. For the payments selected, inspect documentation for payments made during the applicable month. Confirm proper remittance and filings with the Comptroller as follows:	✓		Selected from list of payments made by Comptroller's Office from the period October 1, 2020 through September 30, 2021.
	1) Liabilities were posted and flowed through AP during the respective transactions effective term outstanding.	✓		Observed disbursements noting posting and payment and during term of contract, where applicable.
	2) Payment was remitted in an amount consistent with the terms of the respective documentation provided.	✓		Payments observed were remitted consistent with terms.
	3) Discounts, if applicable, were appropriately utilized.	✓		No discounts noted in sample selected.
	4) After AP was recorded the liability was appropriately identified as being posted to limit possibility of duplicated postings and payments.	✓		All disbursements selected were adequately identified as recorded to limit duplicate postings.
	5) Observe evidence that AP was recorded in the correct period.	✓		Documentation of disbursements selected provided evidence that AP was recorded in the correct period.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

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Results of Agreed-Up Procedures
September 30, 2021**

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
	6) Observe evidence that AP vendor was listed on an approved vendor listing.	✓		Observed evidence that vendors were on approved vendor listing.
	7) Signing authorities were properly followed based on AP Policies and Procedures Manual.	✓		Observed evidence that signing authority policies were followed.
	8) Payment batch or individual payment was properly approved based on AP Policies and Procedures Manual.	✓		Observed that payments were properly approved based on policies and procedures.
	9) AP cash reconciliation was appropriately performed and reviewed.	✓		Observed bank reconciliations properly performed for bank codes 50 and 51.
	10) After payment was made for the respective liability, the supporting documentation was identified as being paid, and AP recorded was appropriately relieved, to limit duplication of payment.	✓		Observed that supporting documentation for payments were identified as being paid.
	11) Vendor maintenance procedures were properly followed based on AP Policies and Procedures Manual.	✓		Per inquiry, vendor maintenance procedures were performed.
B.	Obtain the list of AP recorded as of September 30, 2021 and perform the following procedures for each of twenty-five (25) haphazard test selections:	✓		Selected from AP and accrual listing for BSA account 4010 Accounts Payable and BSA account 4022 Non-Grant Accruals from Comptroller's Office at September 30, 2021
	1) Observe evidence that AP is recorded in accordance with applicable policies.	✓		Observed that AP recorded was in accordance with applicable policies.
	2) Observe evidence that AP is recorded in correct period.	✓		Observed that AP was recorded in the correct period according to the supporting documentation.
	3) Observe evidence that AP vendor is listed on an approved vendor listing.			Observed evidence that vendors were on approved vendor listing
C.	Inspect the AP listing at September 30, 2021 for amounts in excess of 60 days outstanding and inquire about policies for treatment of stale AP amounts.	✓		No stale AP amounts noted during testing.
D.	Interview the Orange County Comptroller's Office, Department of Finance and Accounting personnel regarding their awareness of applicable policies and procedures and the relation of common practices to the applicable policies and procedures.	✓		Occurred May 19, 2022.

See Independent Accountant's Report on Applying Agreed-Up Procedures.

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September 30, 2021**

TO OBSERVE REPORTS AND TRENDS FOR ACCURACY, CUT-OFF, AND CLASSIFICATION

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
A.	Direct confirmation with ten (10) accounts listed on the September 30, 2021 AP detail.	✓		Of 10 amounts confirmed. 5 confirmations were received with no exception. The other 5 confirmations were not returned. Payment and supporting documentation subsequent to year end was observed in lieu of confirmations not returned.
B.	Inspect the same ten (10) accounts confirmed for indications of past due amounts, penalties, and interest.	✓		No indication of past due amounts was noted for confirmations returned.
C.	Select a sample of ten (10) payments made subsequent to September 30, 2021 for indication of any unrecorded liability as of September 30, 2021.	✓		Selected from list of payments made by Comptroller's Office from the period October 1, 2021 through December 31, 2021. Observed that amounts tested were recorded in the proper period.

TO OBSERVE POLICIES AND PROCEDURES TO ENSURE COMPLIANCE WITH APPROPRIATE RULES AND REGULATIONS

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
A.	Obtain the "Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Policies."	✓		Received from Orange County, Florida Comptroller's Office.
B.	Obtain the "Orange County Comptroller, Department of Finance and Accounting, Accounts Payable Procedures Manual."	✓		Received from Orange County, Florida Comptroller's Office.
C.	Obtain the Orange County Comptroller's Office, Department of Finance and Accounting organizational chart.	✓		Received from Orange County, Florida Comptroller's Office.

TO OBSERVE DISBURSEMENT FUNCTION INCLUDING BOTH ELECTRONIC AND PHYSICAL

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
A.	Confirm that journalizing and posting policies are properly followed for a sample of ten (10) haphazardly selected transactions based on AP Policies and Procedures Manual.	✓		Observed that policies were properly followed.
B.	Confirm that adjustments and reconciliation policies and procedures are followed for September 30, 2021 based on AP Policies and Procedures Manual.	✓		Observed that policies and procedures were properly followed.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.

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Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
C.	Inspect approvals for twenty-five (25) disbursements haphazardly selected which were posted to the September 30, 2021 AP detail based on the AP Policies and Procedures Manual.	✓		Disbursements selected displayed proper approvals.
D.	Interview Director of County Audit and Finance and Accounting personnel regarding procedures performed regarding review of monthly reports for AP transactions.	✓		Occurred June 16, 2022.

TO LIMIT THE OBSERVATION TO AREAS OF POTENTIAL RISK

Step No.	Procedures Performed	No Findings Noted	Findings Noted	Comments/Description
A.	The procedure includes discussing the identified risk assertions with the financial auditors as is ordinary and customary.	✓		Occurred May 13, 2022.
B.	Interview finance and accounting personnel regarding procedures performed regarding review of monthly reports or AP transactions for identification of potential risks.		✓	Occurred May 19, 2022.

See Independent Accountant's Report on Applying Agreed-Upon Procedures.



FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

**Orange County, Florida Office of Management and Budget
Findings, Recommendations, and Management's Responses
As of September 30, 2021**

MANAGEMENT AND CONTROL POLICIES AND PROCEDURES FOR RISK ASSESSMENT

1. Finding

During our interview of the Comptroller's Office Finance and Accounting Department, we noted that although discussion occur about fraud and risks in the AP process, there is no formal risk assessment policy or documentation of risk assessment discussions.

Recommendation

The Finance and Accounting Department should implement a policy of formally documenting all risk assessment discussions, including vendor and payment risks, and document such discussions. These discussions should occur regularly with regards to overall risk of the accounts payable population.

Management's Response

We concur, a formal policy to document risk assessment discussions should be developed. It is important to note, while not formally documented per policy, all departments in the Comptroller's Office always conduct risk assessments for any new programs and initiatives, and frequently discuss potential risks in other ongoing programs, activities and functions to ensure adequate controls are in place to address and mitigate areas of concern. In Accounts Payable specifically, the supervisory team has regular meetings to discuss potential risk areas that may result from new programs, procedural changes, or to review the effectiveness of existing controls. The minutes of these meetings, which are available to staff, include those discussions and provide direction regarding additional controls.

2. Finding

During our interview of the County Audit Division, we noted that no audit of the AP process of the Comptroller's Office Finance and Accounting Department has been performed.

Recommendation

The County Audit Division should consider performing an audit on the Accounts payable function in the future as an audit of this function has not been performed in the past and to ensure coverage of all functions of the Comptroller's Office Finance and Accounting Department.

Management's Response

This recommendation has been communicated to the Comptroller's County Audit Division. It is important to note, Accounts Payable (AP) has just completed this engagement, which included agreed upon procedures to review our accounts payable process. Also, the annual financial audit conducted by an outside accounting firm includes many specific procedures to test our accounts payable function. In addition, while no specific audit of the AP process has been performed, the County Audit Division frequently audits various programs of Board of County Commissioner (BCC) Departments and the Comptroller's Office that include various accounts payable functions. For example, recent internal audits of the BCC's and the Comptroller's Procurement Card Programs involved a review of Finance and Accounting Department responsibilities and internal controls with regard to these programs.