



**DONALD C. SPENCER**  
CLERK OF THE CIRCUIT COURT & COMPTROLLER  
SANTA ROSA COUNTY, FLORIDA

Clerk of the Circuit Court & Comptroller  
Recorder of Deeds  
Clerk and Accountant of the Board of County Commissioners  
Custodian of County Funds  
County Auditor

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August 21, 2023

Honorable Donald C. Spencer  
Santa Rosa County Clerk of Court & Comptroller  
4025 Avalon Boulevard  
Milton, FL 32583

Clerk Spencer,

Please find attached the final Efficiency and Effectiveness Audit of Santa Rosa County Clerk Accounts Payable Section.

Please feel free to contact me should you have questions or wish to discuss the report.

Respectfully,

/s

Teresa Garber, Lead Internal Auditor  
Santa Rosa County Clerk of Court  
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attch

cc: Jason English, Chief Deputy Clerk  
Susan Hoodless, Finance Director  
DeVann Cook, County Administrator  
Brad Baker, Assistant County Administrator

**SANTA ROSA COUNTY  
CLERK OF THE CIRCUIT COURT AND  
COMPTROLLER**

**INTERNAL AUDIT DEPARTMENT**

**AUDIT REPORT**

**EFFICIENCY AND EFFECTIVENESS**

**AUDIT OF SANTA ROSA COUNTY CLERK ACCOUNTS  
PAYABLE SECTION**

**REPORT NUMBER BCC 23-01**

**REPORT ISSUED 8/21/23**

**BY:**

**TERESA GARBER, INTERNAL AUDITOR**

The Internal Audit Department received a request to review the accounts payable process after the Clerk received repeated inquiries from County staff regarding errors in payments.

## Methodology

We reviewed the Santa Rosa Clerk's Finance Department Accounting Policies and Procedures Manual. We also met with the Director of Finance for the Clerk of Courts, Clerk Finance staff, and County employees to conduct interviews on the processes employed. We observed the Accounts Payable process and reviewed the permissions for access to the finance system. Our review was limited to interviewing management and staff, observing the process and obtaining and reviewing the permissions granted in the finance system.

## Observations and Recommendations

The following are our observations regarding Clerk Finance control, compliance, and governance issues discovered during our audit of the Accounts Payable process.

### Management Oversight and Supervision

#### Lack of Management Engagement

The Senior Accounting Clerk is directing the accounts payable process which is outside the essential job functions of the position. The Senior Accounting Clerk job description does not state that the position will lead or supervise employees. Although the Senior Accounting Clerk states she does not supervise staff, she, in fact, supervises their work and directs the work processes.

Internal Audit conducted an interview with the Finance Director to discuss the accounts payable process. The Finance Director immediately referred us to the Senior Accounting Clerk. Based on further discussions with accounts payable staff and County employees we concluded that the accounts' payable function is entrusted to the Senior Accounting Clerk to whom County and staff inquiries are directed.

Finance accounting policies and procedures state "an edit report run is not run; however, it is required that the Finance Director reviews all check batch runs that include vendor information and review each payment before it goes out". While confusing, we believe the intent of the policy is for a review of checks by the Finance Director prior to payments being issued. We observed that checks were run, put into envelopes on 3/2/2023, and mailed 3/3/2023 without the Finance Director's review. Additionally, the checks were mailed even though the final check batch was not reconciled to the account system. Reconciling items were not found until the following business day.

In addition, the Request for Vendor Information Packet is issued by and includes the contact information for the Accounts Payable Senior Accounting Clerk. Requests for vendor information should not be issued by nor sent to the Senior Accounting Clerk. Such information should flow to the finance employee responsible for managing the vendor file. The current situation represents a control weakness that should be corrected.

This limited involvement by management has led to an assumption by accounts payable staff, the County, and vendors that the Senior Accounting Clerk is the authority over the accounts payable function.

## Procedures

### Invoice Submission

The information required on invoices by the Accounts Payable Department is not formally communicated to the County nor is the procedure for submission of the invoices documented. Verbal instructions to submit an invoice vary depending on the circumstances.

We conducted an interview with county employees and noted the verbal instructions provided by Accounts Payable are unclear, inconsistent, and not standardized for invoice submission. The following are examples of such instructions:

- The County was instructed verbally to submit vendor invoices by email or courier.
- The County has been instructed verbally at times to copy the Senior Accounting Clerk on their vendor invoice submissions to the payables email, Payables@SantaRosaClerks.com.
- The County has been instructed at times to send the vendor invoice to the Accounts Payable Senior Accounting Clerk or the Accounting Clerk III, bypassing the payables email.

## Vendors

### Written Vendor Instructions

The written instructions provided to vendors create confusion. The written vendor instructions include contact information for Accounts Payable. Some vendors are interpreting the instructions to mean Accounts Payable is their point of contact, requiring Accounts Payable intervention when the County attempts to conduct future business with the vendor. In addition, invoices are often submitted directly to Accounts Payable thereby bypassing county review and approval for payment.

## Internal Control

### Vendor File Changes

Sufficient supporting documentation for making changes to the vendor file may not always be required. We observed the Senior Accounting Clerk take an invoice with a handwritten address to the Senior Financial Assistant to update the vendor file. The address on the vendor file was updated without additional supporting documentation. It is unclear whether documentation supporting additions and changes to vendor files are consistently retained.

### Physical Vendor Files

Physical vendor file documentation is stored in the office of the Accounts Payable Senior Accounting Clerk. To ensure separation of duties, the files should be physically maintained by someone independent of the payment process.

### Vendor Information

As noted previously in this report, the Accounts Payable Senior Accounting Clerk instructs vendors to submit new and revised vendor information to finance, naming herself as the contact person. To ensure separation of duties, vendor information should be directed to staff who maintain the vendor file in the system.

### Purchase Orders

Although purchase orders are sometimes utilized to encumber funds it is not required. Requiring the issuance of a purchase order would identify the funding code (and availability of funds) BEFORE payment is made. In addition, purchase orders are a control that would prevent overspending.

### Information Technology

While it is generally accepted that the Information Technology Department (IT) has responsibility for all “system” software, they should not have authority and control over application software. When we inquired about user rights and roles, we were directed to IT as the administrator for the accounting system. Administration rights to application software should be assigned to senior management within the Finance Department, not to IT.

We noted that neither Finance nor IT was sure of the functionality granted for the various user permission role assignments. When reviewing the role assignments, we noted that four individuals who no longer work for the County or Clerk had current access to the accounting system, and a current Clerk employee had access rights under two separate accounts, one under a current name and another under a prior name. Three of the four separated employees had current access rights to the systems vendor files, account payable functionality, and check printing functionality, representing a significant lack of internal controls.

When we asked about current access for separated employees, IT explained that the prior IT supervisor left strict instructions not to delete the access for one of the three separated employees (Wade Burroughs) but could not tell us why.

In addition, we noted fourteen current county or clerk employees were granted rights to add and update the system’s vendor files, enter an invoice as an account payable, approve an account payable, print checks, and purge a warrant. Three of the fourteen do not report to the Finance Department, and two of those three do not work for the Clerk’s office who is the statutory paying agent for Santa Rosa County. Again, this represents a significant control weakness.

Current system functionality may be limited resulting in inefficiencies. Accounts payable receives a monthly invoice for insurance stipend payments for over 300 retirees. The invoice data is consistent from month to month with the exception of the payment date. Updating the payment date requires accounts payable to access each stipend separately. This is an 8-hour process that could be reduced to minutes should the functionality to simultaneously update the date of all stipends existed.

It is not clear which users have access to print to the MICR ink printer. According to Clerk Finance, utilizing the MICR ink printer is dependent on permissions established in the accounting system. However, this printer is also referred to as a “specific printer that prints checks using MICR cartridges”, suggesting the utilization of the MICR ink printer is determined by a user selecting the printer from the network.

Check stock is unsecured, with a portion maintained in the MICR ink printer at all times. Unclear printer access combined with unsecured check stock may create an opportunity for unauthorized use.

### **Communication**

Invoices emailed or couriered by the County are not confirmed as received by Accounts Payable, leaving the County to question whether the invoice was received and included in the current week’s check process.

Accounts payable does not always consult with the County before charging a payment to a budget line item that is not documented by the County on the invoice, thereby increasing the likelihood that the payment is charged to the incorrect budget account.

### **Duplicate Processes**

The invoice review process is duplicated. Invoices are reviewed twice, once by the Senior Accounting Clerk and once by the Accounting Clerk, to ensure required information is present on the invoice and correct before being entered into the system. Once entered, a report is produced, and the entered information is again reviewed by the Senior Accounting Clerk. The duplication of effort slows down the efficiency of the accounts payable process.

Although some invoices are delivered by courier, most are submitted electronically in PDF format. To easily locate invoices in the future, a manual process is employed to ensure checks and supporting invoices are collated and organized in alphabetical order by vendor name. Due to limited resources, this process requires all electronic invoices to be reduced to paper copies, only to be scanned back into electronic format once collated – a highly inefficient and labor intensive process.

## **Santa Rosa County Finance Department Accounting Policies and Procedures Manual**

The Accounting Policies and Procedures Manual was last updated three years ago in November, 2019. Newly established procedures, revised procedures, and position titles are not documented nor updated.

### **Accounts Payable Recommendations**

The following are our recommendations for improvement:

- Clerk Finance should establish assignment of authority to appropriate management-level staff member.
- Invoice submission procedures should be written, communicated to the County, and followed.
- The Request for Vendor Information Packets should be revised to direct vendors to contact the county department placing the order. Contact information for the Finance Department may be provided with a notation to direct accounting/payment questions to them. The cover letter should be signed by the Finance Director.
- Encumbering funds should be required by Clerk Finance to ensure sufficient funds are available to pay for obligations.
- The Administrator over accounting system user rights and permissions should be assigned to someone independent of the accounting system/function.
- User role assignments should be reviewed by the accounting system administrator to ensure proper separation of duties are established and reviewed annually.
- Current accounting system functionality should be evaluated to identify efficiency measures.
- All check stock should be secured with access allowed only to the appropriate management-level staff member.
- Management should limit access to the MICR printer to those with need/authority to print checks.
- Receipt confirmations for the submission of electronic invoices should be sent.
- The County should always be consulted and provide written instructions before charging a payment to a budget line item.
- The accounts payable process should be reviewed for duplication of effort.
- The Accounting Policies and Procedures Manual should be updated and should include proper internal controls over access to the accounting system and vendor files. The Accounting Policies and Procedures Manual should include:
  - Staff responsible for the electronic and paper vendor files
  - Documentation needed for updating vendor information
  - Documentation storage and access requirements for vendor documents

End of Report



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June 23, 2023

Teresa Garber  
Internal Audit Director  
Santa Rosa County Clerk of Court

Teresa,

We appreciate the opportunity to respond to the efficiency and effectiveness audit of accounts payable dated March 14, 2023.

We have reviewed the report and agree with the recommendations relating to the accounts payable function.

In order to improve the efficiency and effectiveness of the accounts payable function, the following actions have been or will be implemented to address the audit findings.

- Authority over the accounts payable function has been definitively assigned to the Finance Manager, and this has been widely communicated both within the Clerk's office and with County departments.
- Invoice submission procedures have been revamped, clearly written, and communicated to County personnel.
- Vendor information packets will be updated with instructions to contact the county department placing the order and will be signed by the Finance Manager.
- Encumbrance of purchases are required in most cases when purchasing goods and services. Exceptions to this requirement are made in the case of utility payments, contract payments, travel payments, and purchasing card payments.
- The administration of accounting system user rights is assigned to the IT supervisor in cooperation with the senior accountant.
- User role assignments have been reviewed by the IT supervisor and the senior accountant and user roles have been adjusted accordingly. This review will be performed on an annual basis moving forward.
- Finance, in coordination with County staff, has begun evaluating options for the purchase of a new ERP system in the hopes of improving functionality and efficiency.
- Check stock is not preprinted, with all identifying information being printed on the stock during the check issuance process. Positive pay is also utilized to prevent unauthorized checks being processed by the bank.
- The MICR printer is hard coded into the accounting software as the default printer for printing checks. No one can access the MICR printer for any other purpose.
- Electronic submission of invoices is no longer allowed.
- On the rare occasion that department and/or account coding of a payment is changed by Finance staff, County staff will be notified in writing of the change and the reasoning behind the change.
- The accounts payable process will be reviewed for duplication of effort.



- The Accounting Policies and Procedures Manual will be updated to include all recommended additions.

Respectfully,

A handwritten signature in black ink, appearing to read "Robert Miller". The signature is written in a cursive style with a large, prominent initial "R".

Robert Miller  
Senior Accountant