

# **Audit Follow-Up**

**As of December 31, 2013**



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City Auditor

## **Audit of Selected Departments Performing Accounts Receivable Functions**

**(Report #1204 issued February 15, 2012)**

**Report #1414**

**March 19, 2014**

### **Summary**

**This is the fourth follow-up on the Audit of Selected Departments Performing Accounts Receivable Functions (Report #1204 issued February 15, 2012). As of December 31, 2013, 45 (85%) of the 53 action plan steps established to address issues identified in that audit have been completed. Forty steps were completed in the previous follow-up periods, five action plan steps were completed during this follow-up period, and actions are on-going to complete the eight remaining steps.**

In audit report #1204, we recommended that departments conducting their own billings start billing through the Department of Management and Administration – Accounts Receivable Section (DMA A/R) in accordance with Administrative Policy and Procedure #609 (APP 609), or request an exception to the policy. Should any program (area) request an exception to the policy, we recommended the area's department director, the Accounting Services Manager, and executive management evaluate each area's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. We further recommended that all such determinations be documented.

Additionally, we recommended departments and offices conducting their own billing or collection activities implement all appropriate controls that a centralized accounts receivable and revenue section would have in place and

follow the City's revenue collection policy and procedures (APP 616).

In response to our recommendations, management established 53 action plan steps to be completed by 16 City departments and offices.

We commend Building Services; Code Enforcement and the City Attorney's Office; Communications; Housing; Information System Services (ISS); Parks, Recreation and Neighborhood Affairs (PRNA); Police; Property Management; Public Works – Capital Projects; Risk Management; and Underground Utilities for completing all of their action plan items during the previous follow-up periods.

The action plan steps completed during this period include:

- 1) All areas will either have access to BusinessWorks (application system used to process accounts receivable), or receive an electronic copy of the reports from BusinessWorks. [Action Plan Step A.2]
- 2) Top level reviews will be conducted of A/R activities. [Action Plan Step A.8]
- 3) Develop and put into place a detailed process whereby all invoice activity (defined as those instances where Growth Management currently mails a request to the customer for payment) is sent to DMA A/R for processing. [Action Plan Step I.2]
- 4) UBCS and DMA A/R will establish a process to consistently track and follow up with the collection agency in order to know

how much has been sent to the collection agency, how much has been collected by the collection agency, and the specific accounts that have not been collected by the collection agency. [Action Plan Step N.3]

- 5) Utility Business and Customer Services (UBCS) and DMA A/R will design and implement processes and reports to measure performance and evaluate the effectiveness of non-utility receivable collection efforts. [Action Plan Step N.4]

Four departments and offices have made progress, but have not completed all of their assigned action plan steps. DMA has five steps remaining; and Fire, Growth Management, and UBCS each have one step remaining.

DMA's remaining five steps include:

- 1) Modify APP 609 to allow certain exemptions to the policy, as long as proper internal controls are in place. The completion date for this action plan step has been amended to July 1, 2014. [Action Plan Step A.3.]
- 2) Implement additional controls to prevent the person serving in the A/R Supervisor role from approving write-offs performed by that position, or require the monitoring of the write-offs made by the A/R Supervisor. The completion date for this action plan step has been amended to July 1, 2014. [Action Plan Step A.4.]
- 3) Upgrade the Nortridge system (application system used to process loan receivables) to allow the capability of assigning unique user IDs and passwords to each user. Accounting Services has acquired an upgrade to the Nortridge system and indicated implementation should be completed by July 1, 2014. [Action Plan Step A.6.]
- 4) Establish written performance measurement goals to aid management in measuring the accuracy and efficiency of accounts receivable activities. The completion date for this action plan step has been amended to July 1, 2014. [Action Plan Step A.10.]

- 5) Develop and implement procedures related to grants management. The completion date for this action plan step has been amended to July 1, 2014. [Action Plan Step M.1.]

Fire's remaining action step is to develop procedures for grant expense billings. This step is dependent upon DMA's development of the above-referenced new citywide grants management procedures. Upon development of the citywide procedures, Fire is planning to follow those procedures.

Growth Management's remaining action step is to put into place an improved and more secure payment process for walk-in customers of the Building Inspection Division. The completion date for this action plan step has been amended to August 31, 2014. [Action Plan Step I.4.]

UBCS manages the collection activities for select non-utility receivables not paid when invoiced through DMA A/R. UBCS is working with DMA and the City Attorney's office to complete UBCS's remaining action plan step. The objective of that step is to develop and implement a collections policy that will provide directives and guidance regarding who is responsible for conducting specific oversight and monitoring procedures. The completion date for this action plan step has been amended to July 1, 2014. [Action Plan Step N.1.]

We appreciate the cooperation and assistance provided by all City management and staff during this follow-up audit. Departments and offices providing direct assistance during this follow-up audit include DMA Accounting Services, Growth Management, and UBCS.

### ***Scope, Objectives, and Methodology***

We conducted the original audit and this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

### **Report #1204**

The scope of our original audit, as disclosed in report #1204, was to audit the internal controls related to the City's non-utility account billings and receivables. A *billing or invoice* is the act of communicating to an individual, group, or business entity the amount of money owed to the City but not yet paid. Billings are considered accounts receivable until the amounts billed are paid or reduced.

The audit objectives were to:

- 1) Obtain an understanding of and evaluate internal controls related to non-utility accounts receivable and collections processes.
- 2) Identify any billing functions that were not being conducted according to City policies and accounts receivable not reported on the City's financial statements.

To achieve these objectives, we surveyed City departments, divisions, and programs (areas), interviewed key staff conducting accounts receivable activities, and reviewed relevant documentation including laws, regulations, policies and procedures, reports from collection companies, accounts receivable and collections logs and reports, invoices, and billing requests.

We conducted two surveys to gather information from City areas conducting billing activities. First, we surveyed all areas (departments, divisions, and programs) to determine which ones had activities resulting in billing opportunities. For areas with billing opportunities we conducted a second survey to identify those areas processing billings through DMA A/R and those areas processing their own billings.

For each area conducting billing activities, we obtained an understanding of the billing and collection processes by interviewing key staff and reviewing related documentation to assess the associated risks, and to evaluate the applicable internal controls.

During the audit, we also (1) reviewed the internal controls related to grant billing activities invoiced directly by departments, not through DMA A/R, and (2) reviewed user access controls in three key application systems that process receivables, those being BusinessWorks, Nortridge, and Permits Environmental Tracking System (PETS) (used by the Growth Management Department to process billings for building permits and inspections).

### **Report #1414**

This is our fourth follow-up on action plan steps identified in audit report #1204. The purpose of this follow-up is to report on the progress and status of efforts to complete the action plan steps due for completion as of December 31, 2013. To determine the status of the action plan steps, we interviewed staff and reviewed relevant documentation.

### **Background**

The City has established an Accounts Receivable Section housed in DMA. Through APP 609, DMA A/R staff has been delegated the direct responsibility for invoicing and recording non-utility funds receivables for all City departments. The objective of APP 609 is "to ensure that all non-utility funds receivable to the City are recorded in the City's books through a centralized process in which invoices are rendered, journal entries are recorded, receipt of payment is monitored, and the collection process is initiated for non-payment." Through APP 609, controls were established to ensure the billing process includes an adequate segregation of duties and that all billings are properly initiated and approved, issued, and monitored.

DMA A/R processed approximately \$32.5 million (or 88%) of the total \$37 million of non-utility A/R processed by the City in FY 2010. Approximately \$4.5 million (12% of the total non-utility billings in FY 2010) were processed outside of DMA A/R by 11 City departments and offices. The 11 departments and offices conducting their own billing activities separate from DMA A/R were Building Services,

Communications, Code Enforcement (in partnership with the City Attorney's Office), Fire, Housing, PRNA, Property Management, Growth Management, Public Works – Capital Projects, Risk Management, and Revenue. Housing and PRNA processed some, but not all of their respective billings through DMA A/R.

### *Previous Conditions and Current Status*

In report #1204 we concluded that, overall, there were adequate internal controls in place related to billing activities processed through DMA A/R. However, our review of the billing activities conducted by DMA A/R and those 11 departments and offices administering their own billings disclosed that billings were not always handled in a manner consistent with City policy and good business practices. Also, proper and adequate internal controls, such as those providing for the proper segregation of duties and the monitoring and reconciliation of accounts receivable records, were not always established.

Regarding non-utility collections, we also noted in report #1204 that there were two major collection efforts that had been conducted for aged unpaid invoices. First, DMA A/R sent outstanding invoices to UBCS so that UBCS could work with a contracted collection agency to pursue collections. Second, Code Enforcement and the City Attorney's Office sent receivables relating to unpaid code violations to a contracted law firm (Stiles) so that the firm could conduct collection activities. We concluded improvements in the collection processes should be made to address the following issues:

- There was not a City policy related to non-utility collection activities identifying who was responsible for performing collection activities and what controls should be in place, what reporting was required, or how performance should be measured.

- The performance of select non-utility collections by the external collection agents was not measured or evaluated.
- Prior to receiving required City authorization, the Stiles law firm wrote checks to reimburse the firm from a bank account jointly owned with the City.
- City program revenues and payments made to Stiles had not been properly accounted for or budgeted since 2004.
- City-prepared Internal Revenue Service (IRS) Form 1099s reported incorrect payment amounts to the Internal Revenue Service (IRS) for Stiles from 2004 to 2011.

Additionally, as disclosed in report #1204, our audit found there was little guidance related to billings for grants to the City. Grant billings were administered by DMA A/R and outside of DMA A/R, and not all grant activities were reported to Accounting Services to be considered for inclusion in the City's annual budget and year-end financial statements.

In report #1204, we provided recommendations to City management regarding areas that needed to be addressed in DMA A/R and other departments and offices. Management's Action Plan consisted of 53 action plan steps, with all initially being due for completion on or before January 1, 2013. Forty steps were completed in the previous follow-up periods. As shown in Table 1, five additional steps were completed during the most recent follow-up period. Completion of the remaining eight action plan steps has been deferred as explained in Table 1.

**Table 1  
Action Plan Steps from Audit Report #1204  
Due as of December 31, 2013, and Current Status**

Action Plan Steps Due as of December 31, 2013	Current Status
<b>A. DMA A/R</b>	
<ul style="list-style-type: none"> <li>• DMA A/R will annually distribute the A/R policy as a reminder that all billings should be processed through DMA A/R. <i>[Report #1204 Action Plan Step A.1.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• All areas will either have access to BusinessWorks, or receive an electronic copy of the reports from BusinessWorks. <i>[Report #1204 Action Plan Step A.2.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> DMA A/R has granted BusinessWorks access to seven of the nine applicable departments and is working with the two remaining departments to set up user access. Accordingly, this step is considered complete.</li> </ul>
<ul style="list-style-type: none"> <li>• A/R policy will be modified to allow for certain exemptions to the policy, as long as proper internal controls are in place. <i>[Report #1204 Action Plan Step A.3.]</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> Accounting Services indicated the accounts receivable policy is being modified, and City management input will be obtained before finalizing those changes. The completion date for this action plan step has been amended to July 1, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• DMA will either implement additional controls to prevent the person serving in the A/R Supervisor role from approving write-offs performed by that position, or require the monitoring of the write-offs made by the A/R Supervisor. <i>[Report #1204 Action Plan Step A.4.]</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> DMA A/R is working to develop a report to facilitate the Accounting Services Manager’s review of write-offs performed by the Accounts Receivable Supervisor. The completion date for this action plan step has been amended to July 1, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• Individual user IDs and passwords will be assigned for each person who has systems administrator access. <i>[Report #1204 Action Plan Step A.5.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• The upgrade to the Nortridge system will allow the capability of assigning unique user IDs and passwords to each user. <i>[Report #1204 Action Plan Step A.6.]</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Accounting Services has acquired an upgrade to the Nortridge system and indicated implementation should be completed by July 1, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• DMA A/R will identify ways to utilize the functionality of BusinessWorks to improve reporting capabilities. <i>[Report #1204 Action Plan Step A.7.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Top level reviews will be conducted of A/R activities. <i>[Report #1204 Action Plan Step A.8.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Completed.</b> The Accounting Services Manager is now performing a top level review, which includes examining aging reports, delinquent accounts reports, receivables turned over to a collection company, and accounts written off by A/R staff.</li> </ul>

<ul style="list-style-type: none"> <li>DMA A/R will work with BusinessWorks technical assistance staff to set up reports necessary to track outstanding invoices and adjusted and written-off A/R. [Report #1204 Action Plan Step A.9.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>DMA A/R will establish written performance measurement goals to aid management in measuring the accuracy and efficiency of the accounts receivable activities. [Report #1204 Action Plan Step A.10.]</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> The Accounting Services Manager is in the process of establishing some benchmark goals to track and evaluate trends in the receivable activities. The completion date for this action plan step has been amended to July 1, 2014.</li> </ul>
<p><b>B. Building Services</b></p>	
<ul style="list-style-type: none"> <li>Issue all billings and invoices through DMA A/R. [Report #1204 Action Plan Step B.1.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step B.2.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<p><b>C. Communications</b></p>	
<ul style="list-style-type: none"> <li>Issue all billings and invoices through DMA A/R. [Report #1204 Action Plan Step C.1.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step C.2.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<p><b>D. Code Enforcement and City Attorney’s Office</b></p>	
<ul style="list-style-type: none"> <li>Request and document an exception to APP 609, and implement all appropriate internal controls. [Report #1204 Action Plan Step D.1.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step D.2.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Conduct a complete reconciliation of all receivables sent to Stiles, and its predecessor, since the beginning of the business relationship with the City to verify how much should have been paid for each collection, along with how much of the payments to Stiles should be recorded as non-employee compensation and how much should be included in IRS Form 1099 reporting. [Report #1204 Action Plan Step D.3.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>At the completion of this reconciliation, work with DMA Procurement to immediately correct the prior seven years’ IRS Form 1099 documentation, including the payment of penalties and interest, if any, by the City. [Report #1204 Action Plan Step D.4.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>

<ul style="list-style-type: none"> <li>• Close the City’s jointly owned bank account with Stiles. <i>[Report #1204 Action Plan Step D.5.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Have all collection proceeds deposited into the City’s bank account. <i>[Report #1204 Action Plan Step D.6.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Implement a process to measure performance and evaluate the effectiveness of the collection efforts for Code Enforcement’s outstanding fines. <i>[Report #1204 Action Plan Step D.7.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Require Stiles to submit expense reimbursement requests to the City for review, approval, and processing through the City’s accounts payable procedures within a period that is both reasonable and timely. <i>[Report #1204 Action Plan Step D.8.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Determine if certain A/R files could be collected through the City’s other collection company. <i>[Report #1204 Action Plan Step D.9.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Request an appropriation in the City’s budget for future contracted legal fees and expenses. <i>[Report #1204 Action Plan Step D.10.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<p><b>E. Fire</b></p>	
<ul style="list-style-type: none"> <li>• Issue after-hour inspections invoices through Growth Management. <i>[Report #1204 Action Plan Step E.1.]</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Billings for State Homeland Security Grant Program expenditure reimbursement: Fire's action plan for development of procedures for grant expense billings is pending the development of a new citywide procedure as it has been recognized that the City’s procedures do not adequately address these types of billings. Upon development of the citywide procedure, Fire will develop a conforming procedure. <i>[Report #1204 Action Plan Step E.2.]</i></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In progress.</b> As noted under Action Plan Step M.1, Accounting Services is working to provide guidance for departments on what is required related to the billing and reporting of grants received by the City. When the procedures are complete, Fire is planning to follow those procedures. We will review the status of this step in a subsequent follow-up engagement.</li> </ul>
<ul style="list-style-type: none"> <li>• Billings for all other services: Fire began processing some of these invoices through DMA A/R in July 2011 and as of December 2011 Fire began processing all non-grant billings through DMA A/R. Regarding the requirement that we check/confirm the invoice amounts billed by DMA A/R with Fire’s requested amounts, a new field has been added to Fire’s Invoice Database which is being maintained to document correct invoiced amounts and to identify errors. These</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>

<p>actions are intended to resolve all of the audit issues for Fire’s non-grant billings (numbering of invoices, receipt of payment, etc.). <i>[Report #1204 Action Plan Step E.3.]</i></p>	
<p><b>F. Housing</b></p>	
<ul style="list-style-type: none"> <li>• Issue all billings and invoices through DMA A/R. <i>[Report #1204 Action Plan Step F.1.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> <li>• Monitor the invoices to ensure correct amounts are being billed. <i>[Report #1204 Action Plan Step F.2.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<p><b>G. Parks, Recreation, and Neighborhood Affairs</b></p>	
<ul style="list-style-type: none"> <li>• PRNA will work with DMA to evaluate the possibility of requesting an exception to allow PRNA 72 hours to collect payment prior to sending a billing request to A/R. If an exception is not requested or approved, PRNA will begin billing all invoices through A/R. <i>[Report #1204 Action Plan Step G.1.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> <li>• Monitor the invoices to ensure correct amounts are being billed. <i>[Report #1204 Action Plan Step G.2.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<p><b>H. Property Management</b></p>	
<ul style="list-style-type: none"> <li>• Property Management will notify any funeral homes that have been extended credit that this procedure will be modified effective February 1, 2012, to ensure that all lot sales are paid in advance. Property Management will not bill for cemetery lot sales. If an exception is made to this procedure, the account will be billed through DMA A/R. <i>[Report #1204 Action Plan Step H.1.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<p><b>I. Growth Management</b></p>	
<ul style="list-style-type: none"> <li>• Produce an automated report to be submitted to Accounts Receivable that tracks billings of invoices from Permits Plus according to the timeline and content specifications of Accounts Receivable. <i>[Report #1204 Action Plan Step I.1.]</i></li> </ul>	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> <li>• Develop and put into place a detailed process whereby all invoice activity (defined as those instances where Growth Management currently mails requests to customers for payment) is sent to Accounts Receivable for processing. Growth Management staff will utilize the BusinessWorks application to</li> </ul>	<p>✓ <b>Completed.</b> As previously reported in our prior follow-up report (#1306), to better serve City customers, Growth Management subsequently determined it is more efficient and appropriate to retain the billing process under its responsibility. Accordingly, Growth Management, in conjunction with DMA A/R, has developed detailed procedures under which Growth</p>



<p>monitor the collection activities of the Accounts Receivable Section and then post payments into Permits Plus. There were 8 instances of such activity for the FY 2010 period for Building Inspection. There were 262 Storm Water Operating Permits (SWOP) for the FY 2010 period for Land Use and Environmental Services that fall into this category and one non-SWOP activity. There were no instances of invoice activity for the Administration Division for the FY 2010 period. [Report #1204 Action Plan Step I.2.]</p>	<p>Management is processing its own billings. Additional internal controls were implemented as part of this process. Also, consistent with DMA A/R's procedures, Growth Management invoices that are 60 days past-due are to be forwarded by Growth Management to DMA A/R for referral to the City's collections contractor.</p>
<ul style="list-style-type: none"> <li>• Monitor the invoices billed through DMA A/R to ensure correct amounts are being billed. [Note: this action plan item was revised to better reflect the monitoring of billings.] [Report #1204 Action Plan Step I.3.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period. [Note: this step was completed when Growth Management was using DMA A/R for billings. As noted in the action item above, Growth Management has subsequently brought the billings process back under its responsibility.]</li> </ul>
<ul style="list-style-type: none"> <li>• Put into place a detailed process whereby all walk-in customers of the Building Inspection Division are sent to the Treasurer – Clerk's Revenue Office to render payment for permitting activities. This will eliminate daily reconciliation processes of cash and checks by Building Inspection Staff. [Report #1204 Action Plan Step I.4.]</li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>In Progress.</b> Growth Management is working with the Revenue Office to implement an alternative payment solution process allowing walk-in customers (contractors and residents) to make payments for building inspections online or by credit card or check in the Building Inspection Office during the application process. This would eliminate the need for those individuals using checks or credit cards to leave the Building Inspection Office to make their payments. The completion date for this action plan step has been amended to August 31, 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• Growth Management will implement a process to monitor and ensure Growth Management employees' access to PETS, including system administrator rights, is limited to only what is needed for their respective job responsibilities. (Note: Due to limitations in the PETS system, this action plan was revised to better reflect the controls over user access that could be implemented.) [Report #1204 Action Plan Step I.5.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<p><b>J. Public Works – Capital Projects</b></p>	
<ul style="list-style-type: none"> <li>• Issue all billings and invoices through DMA A/R. [Report #1204 Action Plan Step J.1.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>
<ul style="list-style-type: none"> <li>• Monitor the invoices to ensure correct amounts are being billed (including Operations and Traffic). [Report #1204 Action Plan Step J.2.]</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed in a prior period.</li> </ul>

<b>K. Risk Management</b>	
<ul style="list-style-type: none"> <li>• Work with DMA A/R to document an exception to APP 609. <i>[Report #1204 Action Plan Step K.1.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>• Implement procedures to conduct reconciliations on a regular basis. <i>[Report #1204 Action Plan Step K.2.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>• Reprinted invoices will be clearly marked as a second request. <i>[Report #1204 Action Plan Step K.3.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>• Year-end outstanding receivables will be submitted to DMA A/R to be considered for inclusion in the City’s annual financial statements. <i>[Report #1204 Action Plan Step K.4.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>• Conduct periodic evaluations to measure the level of success of Risk Management’s collection efforts. <i>[Report #1204 Action Plan Step K.5.]</i></li> </ul>	✓ Completed in a prior period.
<b>L. Revenue</b>	
<ul style="list-style-type: none"> <li>• Work with DMA A/R to document an exception to APP 609 and conduct periodic evaluations to measure the level of success of Revenue’s collection efforts. <i>[Report #1204 Action Plan Step L.1.]</i></li> </ul>	✓ Completed in a prior period.
<b>M. Billing of Grants</b>	
<ul style="list-style-type: none"> <li>• DMA will develop and implement procedures related to grants management to provide guidance to departments on what is required related to the billing and reporting of grants to the City. <i>[Report #1204 Action Plan Step M.1.]</i></li> </ul>	❖ <b>In progress.</b> As previously reported, DMA A/R is in the process of developing procedures for the billing of grants, but has not finalized the process. The completion date for this action plan step has been amended to July 1, 2014. This will allow staff time to evaluate available alternatives (resources and software programs) to aid in the overall grants management process. We will review the status of this step in a subsequent follow-up engagement.
<b>N. Collection Activities of Select Non-Utility Accounts Receivables</b>	
<ul style="list-style-type: none"> <li>• DMA, UBCS, and the City Attorney’s office will work together to develop and implement a collections policy that will provide directives and guidance regarding who is responsible for conducting specific oversight and monitoring procedures. <i>[Report #1204 Action Plan Step N.1.]</i></li> </ul>	❖ <b>In progress.</b> The City has recently selected a new contractor, Penn Credit Corporation (Penn), to collect delinquent receivables. As City staff are working to implement the new collections contract, they are evaluating the current process and identifying ways that tools provided by Penn can improve the current process. Once this

	evaluation is complete, a new collections policy will be drafted and sent to management for review and approval. The completion date for this action plan step has been amended to July 1, 2014.
<ul style="list-style-type: none"> <li>UBCS and DMA A/R will develop a bid solicitation for collections contractor services. <i>[Report #1204 Action Plan Step N.2.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>UBCS and DMA A/R will establish a process to consistently track and follow up with the collection agency in order to know how much has been sent to the collection agency, how much has been collected by the collection agency, and the specific accounts that have not been collected by the collection agency. <i>[Report #1204 Action Plan Step N.3.]</i></li> </ul>	✓ <b>Completed.</b> UBCS has developed guidelines for past-due account tracking and follow-up that allows City staff to take advantage of various reports and reporting capabilities offered by Penn. Those reports include information concerning the number of accounts sent to Penn, the amount collected by Penn, and the non-utility accounts still outstanding. To verify accuracy, City staff indicated they are comparing these reports to the City's records.
<ul style="list-style-type: none"> <li>UBCS and DMA A/R will design and implement processes and reports to measure performance and evaluate the effectiveness of non-utility receivable collection efforts. <i>[Report #1204 Action Plan Step N.4.]</i></li> </ul>	✓ <b>Completed.</b> City staff have implemented a process and established a performance measurement system to monthly evaluate and compare the efforts made by Penn to collect outstanding non-utility receivables. Staff indicated Penn's collection results will initially be measured against those of the previous collection company. Subsequently, as data concerning Penn's performance in the collection of City accounts becomes available, that data will be used to develop performance expectations against which results may be measured.
<b>O. Verification of the Amounts Billed by DMA A/R</b>	
<ul style="list-style-type: none"> <li>Information System Services (ISS) will monitor invoices to ensure correct amounts are being billed. <i>[Report #1204 Action Plan Step O.1.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>Police will monitor invoices to ensure correct amounts are being billed. <i>[Report #1204 Action Plan Step O.2.]</i></li> </ul>	✓ Completed in a prior period.
<ul style="list-style-type: none"> <li>Underground Utilities will monitor invoices to ensure correct amounts are being billed. <i>[Report #1204 Action Plan Step O.3.]</i></li> </ul>	✓ Completed in a prior period.

**Table Legend:**

- Issue to be addressed from the original audit.
- ✓ Issue addressed and resolved.
- ❖ In progress. Action initiated but not completed.

## *Conclusion*

Table 1 above shows 45 (85%) of the 53 action plan steps have been completed as of December 31, 2013. As also shown in Table 1, 40 steps were completed in the previous follow-up periods, five action plan steps were completed during this follow-up period, and actions are on-going to complete the eight remaining steps.

We appreciate the cooperation and assistance provided by all City management and staff during this follow-up audit. Departments and offices providing direct assistance during this follow-up included DMA Accounting Services, Growth Management, and UBCS.

## *Appointed Official's Response*

### **City Manager:**

The City Auditor's Office has conducted a thorough and detailed Audit of Selected Departments Performing Accounts Receivable Functions. This audit involves multiple departments across the City of Tallahassee. I am pleased to see that the fourth follow-up indicates that 45 out of the 53 steps have been completed and actions are on-going to complete the 8 remaining steps. Additionally, I am extremely pleased to see that recommendations made by the original audit have been addressed by staff. I would like to thank the City Auditor and all of the departments for their work and follow-up on this audit.

Copies of this audit follow-up #1414 or audit report #1204 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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