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## HIGHLIGHTS

Highlights of City Auditor Report #1204, a report to the City Commission and City management

### WHY THIS AUDIT WAS CONDUCTED

We conducted a citywide audit of non-utility accounts receivable (A/R) processes. Our objectives were to obtain an understanding of and evaluate internal controls related to non-utility accounts receivable and collection processes and to identify any billing functions that were not being conducted according to City policies and accounts receivable not reported on the City's financial statements. We also evaluated the internal control environment related to those billing and reporting activities.

### WHAT WE CONCLUDED

For City billings processed through the Department of Management and Administration (DMA) Accounts Receivable (A/R) Section, we determined that overall there were adequate internal controls in place related to billing activities. DMA A/R conducted approximately \$32.5 million in FY 2010. We also identified 11 areas that were not complying with the City policies in that they were conducting their own billings instead of processing billings through DMA A/R. Management reported that approximately \$4.5 million in FY 2010, or 12% of the total billings in FY 2010, were processed outside of DMA A/R.

In collections, we noted there were two major collection efforts being conducted in the City for aged unpaid invoices. First, DMA A/R sends outstanding invoices to Utility Business and Customer Services (UBCS) for them to work with a contracted collection agency. Second, Code Enforcement and the City Attorney's Office send unpaid code violations to a contracted law firm (Stiles) to conduct collection activities. We concluded that improvements should be made to address the following issues:

- There is not a City policy related to collection activities identifying who is responsible for performing collection activities and what controls should be in place, what reporting is required, or how performance should be measured.
- The performance of the external collection agents were not measured or evaluated.
- The Stiles law firm was writing checks to reimburse themselves from a bank account jointly owned with the City, prior to receiving required authorization.
- City program revenues and payments made to Stiles were not properly accounted for or budgeted since 2004.
- 1099s were incorrectly reported to the IRS for Stiles from 2004 to 2011.

Additionally, we noted there was little guidance related to billings of grants received by the City. Grant billings were occurring in DMA A/R and outside of DMA A/R, and not all grants receivables were reported to Accounting Services for inclusion in the City's annual budget and year-end financial statements.

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February 15, 2012

## AUDIT OF SELECTED DEPARTMENTS PERFORMING ACCOUNTS RECEIVABLE FUNCTIONS

### WHAT WE RECOMMENDED

While there were overall adequate internal controls in the DMA A/R Section related to processing of billings, we provided recommendations to DMA A/R to further enhance their operations and improve the City's A/R policy. Three key recommendations were:

- DMA A/R should provide all areas with inquiry access to the A/R system so they can independently access the A/R, or provide an electronic copy of needed reports.
- DMA management should conduct periodic top level reviews of A/R activities. As needed, A/R staff should obtain technical assistance to develop summary reports to track outstanding, adjusted, and written-off invoices.
- For those nine areas that were billing through DMA A/R, but were not verifying the correct amounts were being billed, we recommend each area implement a system to verify the amount billed.

For those 11 areas conducting their own billings, we provided two key recommendations:

- Each area should issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, or request an exception to the policy, which should be approved by the department director, Accounting Services Manager, and executive management.
- Each area should consistently track all of their invoices to know how much has been billed, collected, and is still outstanding; perform periodic supervisory reviews; and report year-end outstanding receivables to the DMA Accounting Services.

Regarding collections efforts, key recommendations included the City should:

- Develop and implement a policy related to collections processes;
- UBCS and DMA A/R work together to establish a process to consistently track and follow up on collection efforts;
- Correct and submit the prior seven years of IRS 1099 documentation for Stiles [*Note: Corrected 1099s were sent to the IRS prior to the release of this report.*]; and
- Close the Stiles and City jointly owned bank account and utilize the City's processes to deposit collections and pay expenses.

Regarding billings of grant activities, we recommended management develop and implement procedures related to grants management throughout the City to provide guidance on what is required for processing of billings and reporting of grants received.

*Audit of  
Selected Departments Performing  
Accounts Receivable Functions*

**AUDIT REPORT #1204**

**February 15, 2012**



Copies of this audit report #1204 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/auditingreports.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (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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# *Audit of Selected Departments Performing Accounts Receivable Functions*



Sam M. McCall, Ph.D., CPA, CGFM, CIA, CGAP  
City Auditor

Report #1204

February 15, 2012

## *Executive Summary*

*We conducted a citywide audit to evaluate the internal controls related to the City's non-utility accounts receivable processes.*

*Accounts receivables are the amounts due to the City from billings or invoices, when services have been provided, but not yet paid.*

We conducted a citywide audit of non-utility accounts receivable processes. Our objectives were to obtain an understanding of and evaluate internal controls related to non-utility accounts receivable and collection processes and to identify any billing functions that were not being conducted according to City policies and accounts receivable not reported on the City's financial statements. We also evaluated the internal control environment related to those billing and reporting activities.

Accounts receivables are the amounts due to the City from billings or invoices, when services have been provided, but not yet paid for. City policies state that the Accounts Receivable (A/R) Section of the Department of Management and Administration (DMA) Accounting Services Division is responsible for invoicing and recording non-utility funds receivable for all City Departments. At the end of each fiscal year, the City reports the outstanding accounts receivable in the City's Comprehensive Annual Financial Report Statement of Assets.

In conducting this audit, we gave consideration to the Citywide Cash Controls audit conducted in 2001, and to several subsequent follow up reports that recognized corrective actions taken by management. We noted that as a result of management's actions, numerous improvements have been made resulting in better internal controls and customer service related to cash collections. Notwithstanding, the scope of this accounts receivable audit is broader than the previous audit of cash collections. This audit addresses internal controls relating to the billing and recording of amounts owed (i.e., accounts receivable) to the City prior to the receipt of cash.

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.

Examples include:

- Services or goods provided, as in the case of facility rentals;
- Reimbursable expenses, as in the case of grants; or
- Fines levied, as in the case of parking tickets or code violations.

*We identified 22 areas complying with City policy by conducting their billings through DMA A/R.*

*We also identified 11 areas conducting their own billing activities, contrary to City policy stating that all non-utility billings are to be processed through DMA A/R.*

During our audit, we identified 22 areas (departments, divisions, or programs) that were complying with City policies by conducting their billing activities through DMA A/R and 11 areas that were not complying with City policies because they had not been formally delegated the authority by DMA to conduct their own billing activities. The areas processing their own billings included: Building Services; Communications; Code Enforcement (in partnership with the City Attorney's Office); Fire; Housing; Parks, Recreation and Neighborhood Affairs (Parks); Property Management; Growth Management; Public Works – Capital Projects; Risk Management; and Revenue. Housing and Parks both conduct some, but not all billings through DMA A/R. Annual billings conducted outside of DMA A/R by these 11 departments are listed in Table 1. The table shows that approximately \$4.5 million was billed by areas outside of DMA A/R in FY 2010 and all areas were considered governmental activities. The overall amount billed outside of DMA A/R is 12% of total billings in FY 2010.

**Table 1**  
**Annual Billings by Areas Outside of DMA A/R in FY 2010**

<i>Area</i>	<i>FY 2010 Amounts Billed by Each Area</i>
Building Services	\$1,625
Communications	\$5,375
Code Enforcement	\$993,674 <sup>(1)</sup>
Fire	\$630,257
Housing	\$34,449
Parks and Recreation	\$39,823
Property Management	\$70,480
Growth Management	\$157,032
Public Works – Capital Projects	\$306,996
Risk Management	\$338,537 <sup>(2)</sup>
Revenue	\$1,914,423
<b>Total known receivables billed outside of DMA A/R</b>	<b>\$4,492,671</b>

Source: The respective departments provided these figures. The amounts have been reviewed for reasonableness, but have not been audited.

Note 1: This amount is total fines imposed. Management reported fine amounts were substantially reduced by Code Board reconsideration, negotiated settlement, and extinguishment by foreclosure, etc.

Note 2: Risk Management reported the amount collected in FY 2010.

We evaluated the internal controls related to billing activities in DMA A/R and in each of the 11 areas processing their own billings, and identified issues and provided recommendations to management to address each issue. For those 11 areas conducting their own billings, we provided the following two key recommendations. We recommended:

*All areas that do not process their billings through the DMA A/R Section should develop a segregation of duties plan, and have that plan and their documented processes approved by the department director, Accounting Services Manager, and executive management.*

- 1) Each area issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609 (APP 609), and monitor the invoices to ensure correct amounts are being billed. Should the department request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate the department’s cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. All exceptions should be documented.



- 2) Each area consistently track all of their invoices to know how much has been billed, collected, and is still outstanding. Each area should also perform periodic supervisory reviews, and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.

For the other 22 City areas conducting their billings through DMA A/R, as shown in Table 2 on page 13, we noted nine areas were not consistently verifying amounts being billed through DMA A/R were accurate. Each department that processes their invoices through DMA A/R should implement a system to verify the amount billed by DMA.

*Overall, there were adequate internal controls in place for billing activities processed through the DMA A/R Section.*

Regarding DMA A/R, we determined that overall there were adequate internal controls in place related to the billing activities conducted in the DMA A/R Section. We provided several recommendations to DMA A/R to enhance their operations and improve the City’s accounts receivable policy. Some of the key recommendations included:

*We provided recommendations to the DMA A/R Section to enhance their operations and improve the City’s accounts receivable policy.*

- 1) DMA A/R should provide all areas with inquiry access to the accounts receivable system (BusinessWorks) so they can access the information themselves, or provide an electronic copy of needed reports.
- 2) DMA management should conduct periodic top level reviews of A/R activities. As needed, A/R staff should obtain technical assistance to develop summary reports to track outstanding, adjusted, and written-off invoices.

Regarding collections, we noted there were two major collection efforts being conducted in the City for aged unpaid invoices. First, DMA A/R sends outstanding invoices to Utility Business and Customer Services for them to conduct collection activities and work with a contracted collection agency. Second, Code Enforcement and the City Attorney’s Office send unpaid code violations to a contracted law firm (Stiles) to conduct collection activities. We reviewed the internal controls related to the two collections processes and provided the following key recommendations:

*There were two major collection efforts occurring, unpaid invoices processed through DMA A/R and related to unpaid code violations.*

- 1) City management should consider developing and implementing a policy related to collection activities, including who is responsible for performing these activities, what controls should be

implemented, what reporting is required, and how performance should be measured.

*Recommendations were provided to UBCS and DMA A/R to develop a process to better follow up on collection efforts.*

- 2) UBCS and DMA A/R should work together and establish a process to consistently track and follow up with the collection agency in order to know how much has been sent to collections, how much has been received in these collections efforts, as well as the specific accounts that have not been collected by customer and City service area.
- 3) The City Attorney's Office and Code Enforcement should work with DMA Accounts Payable Division to correct the prior seven years' IRS 1099 documentation submitted for Stiles including the payment of penalties and accrued interest, if any, by the City. [Note: this was completed prior to the release of this audit report.]
- 4) The City Attorney's Office should close the jointly owned bank account with Stiles and have all collection proceeds deposited directly into the City's own bank account.
- 5) The City Attorney's Office and Code Enforcement should require Stiles to submit reimbursement requests for authorized expenses to the City for review, approval, and processing through the City's accounts payable procedures within a time period that is both reasonable and timely. [Note: Stiles has been writing checks from the joint bank account without receiving prior authorization from the City.]
- 6) The City Attorney's Office and Code Enforcement should work with DMA's Accounting Services and Budget Divisions to establish a budget, and properly account for the program's revenues and expenditures beginning in FY 2012. [Note: City program revenues and payments made to Stiles have not been properly accounted for or budgeted since 2004.]

*Recommendations to the City Attorney's Office and Code Enforcement Program included: correct 1099 reporting, close the jointly owned bank account, establish a budget and record expenses related to the Code Enforcement collections efforts.*

*Procedures related to the billing and reporting of grants receivables need to be developed and implemented citywide.*

Additionally, we noted that there was little guidance related to billings of grants received by the City. Some areas were processing their billings through DMA A/R and some were conducting their own billings. We recommended that DMA develop and implement procedures related to

grants management throughout the City to provide guidance on what is required for processing of billings and reporting of grants received.

Appendix C provides management's action plan to address the recommendations in this report.

We would like to thank and acknowledge the full and complete cooperation and support of all City management and staff during this audit. Service areas providing direct assistance included the Department of Management and Administration (Accounting Services and Procurement Services); the Assistant to the City Manager (Communications), the Department of Environmental Policy and Energy Resources (Facilities Management), the City Attorney's Office, Safety and Neighborhood Services (Code Enforcement; Fire Department; Housing; Parks, Recreation and Neighborhood Affairs; and Property Management), Development and Transportation Services (Growth Management and Public Works), and the City Treasurer-Clerk's Office (Revenue and Risk Management).

# *Audit of Selected Departments Performing Accounts Receivable Functions*



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City Auditor

Report #1204

February 15, 2012

## *Scope, Objectives, and Methodology*

We conducted an audit of internal controls related to the City's non-utility accounts receivables. Our specific 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. We also evaluated the internal control environment related to those billing and reporting activities.

*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 for.*

*Billings are considered accounts receivable until the amounts billed are paid or reduced.*

*We conducted two surveys to identify activities that are being billed and where the billing is taking place.*

*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.*

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 the Accounts Receivable (A/R) Section of the Department of Management and

Administration (DMA) Accounting Services Division, and those areas processing their own billings.

For each area conducting billing processes, 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.

Additionally, we reviewed user access controls in two key application systems that process accounts receivable:

*We evaluated the user access controls in the two key billing systems.*

- BusinessWorks – used by the DMA A/R section to process billings and manage accounts receivable.
- Permit Environmental Tracking System (PETS) – used by the Growth Management Department to process billings for building permits and inspections.

During this audit, we also reviewed the internal controls related to grants billing activities billed directly by departments, not through DMA A/R. We did not perform audit procedures to verify the accuracy of the accounts receivable amounts reported in the City's year-end financial statements, those accounts receivable are included in the City's annual financial statement audit.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

***Billing Activities,  
Program  
Descriptions,  
Issues, and  
Recommendations***

*Billing was being processed through DMA A/R and 11 additional departments.*

The City has established an Accounts Receivable Section housed in the DMA A/R. DMA A/R consists of one Accounting Systems Supervisor, and two Financial Systems Specialists. Through policy, DMA A/R staff has been delegated the responsibility to oversee the billings of non-utilities receivables due to the City.

During our audit, we identified 11 areas that were conducting their own billing activities separate from the billing activities conducted through the DMA A/R Section. Those 11 areas are Building Services; Communications; Code Enforcement (in partnership with the City Attorney’s Office); Fire; Housing; Parks, Recreation & Neighborhood Affairs (Parks); Property Management; Growth Management; Public Works – Capital Projects; Risk Management; and Revenue. Housing and Parks both conduct some, but not all billings through DMA A/R. Appendix B shows where these areas are located in the City organization chart.

In the following sections, we provide a brief description of each area conducting billing activities, outline internal controls that should be in place along with the results of our review, provide assurances or identify risks present for each control area, and provide related recommendations.

## **DEPARTMENT OF MANAGEMENT AND ADMINISTRATION ACCOUNTS RECEIVABLE**

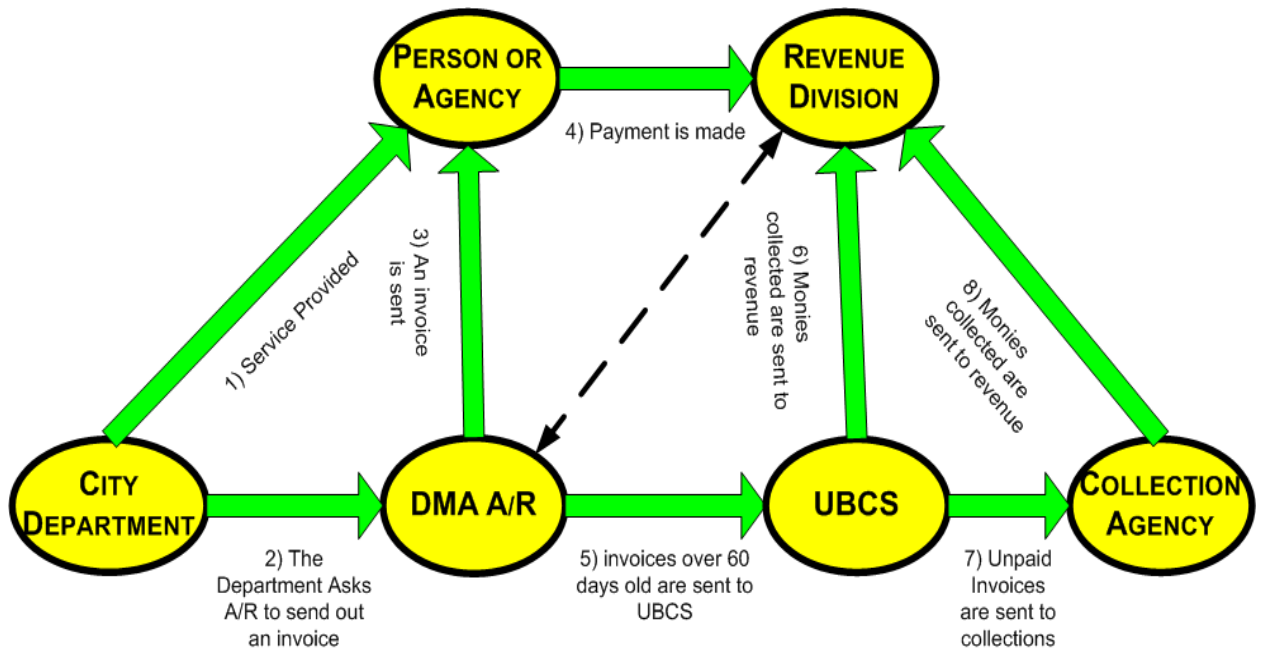
### **Program Description**

*City Policy APP 609 requires that departments bill for activities through the DMA A/R Section.*

In September 1999, Administrative Policy and Procedure No. 609 (APP 609) was implemented stating, “The Accounts Receivable Section of the Accounting Services Division has been delegated the direct responsibility for invoicing and recording non-utility funds receivable 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 included an adequate segregation of duties and that all billings were properly initiated and approved, issued, and monitored. As shown below in Figure 1, the department that provides services to customers determines how much is to be billed, requests DMA A/R to invoice the customer and monitor the receivable. The invoices request customers to send payments directly to the Revenue Division of the Office of the City Treasurer-Clerk.

**Figure 1:  
Proper Segregation of Duties**



Steps in the A/R process according to DMA A/R and UBCS:

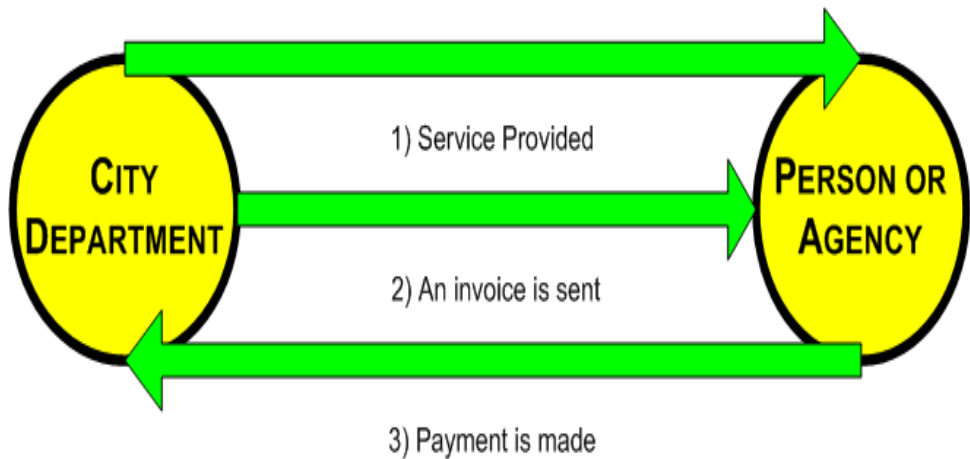
- 1) A City department provides a service to a customer or business.
- 2) The City department asks DMA A/R to send the customer or company an invoice.
- 3) DMA A/R sends the customer or business an invoice, and shares this information with Revenue (shown by the dotted line).
- 4) The customer or business pays the invoice to the City’s Revenue Division. Revenue shares this information with DMA A/R so the receivables can be properly adjusted and the City department can monitor the receivable (shown by the dotted line).

- 5) If the invoice is not paid within 60 days, the invoice is sent to UBCS who notifies the customer that the invoice must be paid within seven days, or the invoice will be turned over to a collection agency.
- 6) Payments made when the file is with UBCS are sent to Revenue. Revenue shares this information with DMA A/R so the receivables can be properly adjusted.
- 7) If the invoice is not paid within the seven day time frame given by UBCS, the invoice is turned over to a collection agency.
- 8) When the collection agency receives the payment, they send the collected monies to the City’s Revenue Division. Revenue shares this information with DMA A/R so the receivables can be properly adjusted and the applicable City department can know the status of the receivable.

*The risk that theft or loss can occur increases when there is an improper segregation of duties related to the billing*

Contrary to Figure 1, departments initiating their own billing, send out invoices, receive payments, and keep their own records making it very difficult to implement an appropriate segregation of duties, thereby increasing the risk of theft or loss of City monies (See Figure 2 below).

**Figure 2:  
Inadequate Segregation of Duties**





Most departments are using the following A/R process for billing and collecting, while other departments are using a variation of this method:

- 1) A City department provides a service to a customer or company.
- 2) The City department sends the customer or company an invoice.
- 3) The customer or business pays the invoice to the City department.
- 4) If the invoice is not paid, the invoice is not sent to a collection agency.

In contrast to the above, for proper recording and tracking, departments complete an A/R Billing Request Form that details the billing and submit the form to DMA A/R. Using the request form, DMA A/R inputs the billing information into DMA A/R's accounts receivable application system, BusinessWorks, and creates and mails the invoice. Customers are directed to make payment to the Revenue Division, who deposits the payment into the City's bank account and records the payment. If payment is not received in 30 days, DMA A/R sends the customer a reminder notice. If payment is not received in 60 days the invoice is turned over to the Utility Business and Customer Services section (UBCS) for collection, and UBCS sends one more reminder notice to the customer requesting payment within seven days. If the invoice is still not paid after the reminder notice, the invoice is turned over to an outside collection agency for additional collection attempts, and the account is adjusted (i.e., written off of the City's accounts receivable outstanding balance in BusinessWorks). DMA A/R also uses the Nortridge Commercial Loan Accounting System to track loans the City makes, and certain items that accrue daily penalties. The Nortridge system does not create invoices and is not used for billing purposes, only to keep up with accrued interest and penalties.

The following table describes the type of billing activity for each area that uses DMA A/R for billing purposes. Also included is the amount billed through DMA A/R by each area and whether the area verified the accuracy of the amount billed by DMA A/R.

**Table 2**  
**Types and Amounts of Billing Activities by Area Processed Through DMA A/R in FY 2010**

<i>Area</i>	<i>Billing Activity</i>	<i>Amount Billed in FY 2010</i>	<i>Area Verified Amount Billed by A/R</i>
Airport	Facility rentals by airline carriers, non-city employee parking	\$ 3,760,283	Yes
Animal Services	Pickup of animals outside the City limits	\$ 358,730	Yes
Economic & Community Development – Community Revitalization Agency (2)	Business leases, historic loans	\$ 383,500	Yes
Economic & Community Development – Housing (2)	Low income housing loans	\$ 1,123,975	Yes
Economic & Community Development – Lot Mowing	Fees for mowing unmaintained lots	\$ 11,312	Yes
Electric Utilities	Customer requests outside the normal utility services	\$ 1,326,960	Yes
Energy Services	Sale of excess natural gas	\$13,980,427	Yes
Environmental Policy & Energy Resources	Environmental partnerships, EPA grant reimbursements	\$ 7,000	Yes
Human Resources	COBRA health insurance premiums for former employees	\$ 130,673	Yes
Information System Services	800 MHz radio tower rental	\$ 710,804	No
Parks, Recreation and Neighborhood Affairs	Athletic field and facility rental, special event services, miscellaneous athletic fees	\$ 208,508	No
Police	Security and secondary employment	\$ 192,570	No
Public Works – Operations	Street sweeping, signal maintenance	\$ 1,124,657	No
Public Works – Traffic	Renting of metered spaces for extended periods of time	\$ 1,200	No
Property Management	Property management (Real Estate)	\$ 431,975	Yes
Solid Waste	Recycled white goods, scrap metal	\$ 157	Yes
StarMetro	Grant reimbursements	\$ 5,609,675	Yes
Underground Utilities – Gas	Gas line repairs	\$ 10,418	No
Underground Utilities – Sewer	Septage dumping	\$ 361,575	Sometimes (1)
Underground Utilities – Water	Leasing space to wireless phone companies	\$ 479,581	No
Underground Utilities – Water Quality	Lab analysis, water inspections	\$ 293,498	No
Leon County Contributions	Planning, parks and recreation activities	\$1,755,118	
Miscellaneous areas	Miscellaneous types of billing activities	\$ 249,831	
<b>Total of billings processed through DMA A/R Section</b>		<b>\$32,512,427</b>	<b>9 areas did not consistently verify DMA A/R billings</b>

Source: DMA A/R application, BusinessWorks. These amounts were not audited during this review.

Note 1: Underground Utilities – Sewer did periodically verify the amount billed through DMA A/R, but not on a consistent basis.

Note 2: Loans in ECD were tracked by A/R, but the borrower was not billed by A/R.

For the purpose of this audit, we identified controls necessary for the successful management and administration of accounts receivable, and classified those controls into eight basic control activity categories established by the City's "Internal Control Guidelines," Administrative Policy and Procedure No. 630. The ninth control activity, "Performance Measures" is to evaluate for DMA A/R's performance measures related to accounts receivable. For each area conducting non-utility billings, we evaluated these control categories related to their billing activities and provided the results of our evaluations along with applicable recommendations in the following sections of this report.

Table 3

Definition of Controls	
Applicable Control Activity (Note 1)	Assurances/Risks Impacts
1. Compliance	Ensure all transactions are properly authorized in accordance with management's policies. To ensure all amounts due to the City are properly accounted for, it is management's policy that all billings shall be processed through a central area so all obligations to the City are properly recorded. Accordingly, departments are discouraged from performing billing activities outside the central billing area.
2. Segregation of Incompatible Duties	Avoid having one person conducting incompatible billing activities, e.g., recording the amount owed, preparing and mailing the invoices, receiving payments, recording payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds.
3. Monitoring and Reconciliation of Accounts Receivable	Related accounting records should be compared periodically to assure that all items are entered properly. Ongoing monitoring activities are built into the normal, recurring operating activities and allow personnel to react to changing conditions. As a result, problems are often identified more quickly through ongoing monitoring routines rather than separate evaluation which take place after the fact.
4. Security of Assets and Records	Security should be maintained over a government's assets (e.g., cash, accounts receivable, inventories, or equipment) as well as the government's accounting records (including information systems), to minimize loss or misuse.
5. Properly Designed Records	Properly designed records should include automated and sequentially numbered documents (e.g., invoices and receipts) to ensure completeness and to be able to account for each and every control document. Re-printed documents should be identified as copies or second requests.
6. Timely preparation of financial statements in conformity with GAAP	Management should have in place systems that ensure the collection and compilation of the data needed for the timely preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

7.	Execution and Transactions	Billings should be issued timely, and bills should be initiated following established procedures, recorded in an accounts receivable system, and generated within an established time period. Payments received should be safeguarded, deposited, and recorded in a timely manner.
8.	Information and Communication	Reports should be available and provided for management to review performance at various levels, including supervisors, and executive managers. Billing and collection transactions should be reviewed periodically to ensure compliance with established procedures.
9.	Performance Measures	Performance indicators that relate different sets of operating or financial data to one another should be periodically analyzed. This analysis, along with corrective actions, serves as a control activity.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No. 630, Section .09, Part III.

### **Issues and Recommendations to Areas utilizing DMA A/R to Process Invoices**

*We noted that nine (9) departments were not verifying the amounts being billed through DMA A/R.*

As part of this audit, we determined that of the 22 areas using DMA A/R for billing services, nine were either not verifying the amounts billed by DMA A/R, or not verifying amounts on a consistent basis. As identified in Table 2, those nine areas are Information System Services; Parks, Recreation and Neighborhood Affairs; Police; Public Works – Operations; Public Works – Traffic; Underground Utilities – Gas; Underground Utilities – Sewer; Underground Utilities – Water; and Underground Utilities – Water Quality.

All areas should be verifying the accuracy of the amounts billed for services they provided. We recommend each of these nine areas implement a system to verify the amount billed by DMA A/R.

### **Assurances, Risks, and Recommendations related to DMA A/R:**

Overall, we found appropriate internal controls are in place related to the billing activities conducted in the DMA A/R Section. We did note some processes that could be improved to enhance the DMA A/R operations. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 4**

DMA A/R		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks Impacts</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Compliance	❖ A/R staff properly follows Administrative Policy and Procedure No. 609. However, the A/R policy was created in September 1999, but does not have procedures in place for departments requiring an exception to the policy.	<u>We recommend</u> the accounts receivable policy be modified to allow for exceptions to the policy, as long as certain guidelines are adhered to. All exceptions should be documented.
2. Segregation of Incompatible Duties	✓ A/R staff has segregated incompatible billing activities. A/R Staff does not have access to the payments received. A/R Staff receives the billing inquiry from the departments, and creates and mails the invoice, while the payments are sent to Revenue.	
3. Monitoring and Reconciliation of Accounts Receivable	<ul style="list-style-type: none"> <li>✓ A/R consistently reconciles all accounts receivables in BusinessWorks to outstanding accounts receivable balances in the PeopleSoft financial system.</li> <li>✓ The A/R Supervisor reconciles all accounts receivables in BusinessWorks to payments received daily in PeopleSoft.</li> <li>✓ The A/R Supervisor reviews and approves all write offs conducted by her staff.</li> <li>✘ The A/R Supervisor has access capabilities to write off accounts with no additional management oversight.</li> </ul>	<u>We recommend</u> DMA management evaluate whether to implement additional controls to prevent the A/R Supervisor from approving her own write offs or monitor write offs made by the A/R Supervisor.
4. Security of Assets and Records	<ul style="list-style-type: none"> <li>✓ User's access to the A/R Application System is restricted to appropriate and authorized departmental staff.</li> <li>✘ The A/R Supervisor and an ISS Business Systems Analyst both share the system administrator user ID and password. Additionally, the ISS Business Systems Analyst should not have System Administrator access rights to the BusinessWorks program data.</li> <li>✘ The Nortridge system is limited in that there are no individual user IDs, and all users share the same user ID and password. DMA A/R is in the process of upgrading the Nortridge system. This upgrade should be complete in FY 2012.</li> </ul>	<p><u>We recommend</u> individual user IDs and passwords be assigned for systems administrator access. <u>We also recommend</u> Information Systems Services' staff access into the BusinessWorks production system be limited to inquiry only.</p> <p>When evaluating procurement of a new system, <u>we recommend</u> system security be considered and the new system be designed so each user has a unique ID and password. In the meantime, <u>we recommend</u> access to the system continue to be limited to only those persons who should be using the program.</p>

5.	Properly Designed Records	<ul style="list-style-type: none"> <li>❖ A/R staff properly assigns all invoice numbers in sequential order. While A/R staff assigns invoices numbers sequentially, the numbers are manually assigned.</li> <li>✘ Copies of invoices reprinted by DMA A/R are not identified as copies or second requests.</li> </ul>	<p><u>We recommend</u> BusinessWorks be set up so the system automatically assigns sequential invoice numbers, and properly identifies reprinted invoices as duplicates.</p>
6.	Timely preparation of financial statements in conformity with GAAP	<ul style="list-style-type: none"> <li>✓ A/R information processed through DMA A/R is properly reported for consideration in the City's year-end financial statements.</li> </ul>	
7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✓ A/R staff typically process invoices daily. There are normal exceptions due to increased workloads during the end-of-month and the end-of-year processing and reporting periods.</li> <li>✓ Payments are sent directly to Revenue and are deposited timely.</li> <li>✓ Payments are typically recorded in an accounts receivable system timely. There are normal exceptions due to increased workloads during the end-of-month and the end-of-year processing and reporting.</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>➤ A/R is planning to annually distribute the A/R policy as a reminder that all billings should be processed through DMA A/R.</li> <li>✘ A/R provides either reports or BusinessWorks access to the areas using DMA A/R to bill invoices, but only if the area requests them.</li> <li>➤ DMA A/R is in the process of using the salesperson functionality of BusinessWorks to identify the different City Departments within the City's General Fund for easier analysis and review.</li> <li>✘ Top level reviews of annual A/R activities including actual accounts receivables and write offs are not being performed to evaluate A/R activities.</li> </ul>	<p><u>We recommend</u> DMA A/R follow through with their plan to send annual reminders to departments.</p> <p><u>We recommend</u> all areas either have access to BusinessWorks so they can access the information themselves, or receive an electronic copy of the reports.</p> <p><u>We recommend</u> DMA A/R follow through with their plan to utilize the functionality of BusinessWorks to improve reporting capabilities.</p> <p><u>We recommend</u> top level reviews by management be conducted of A/R activities. As needed, <u>we recommend</u> A/R staff work with BusinessWorks technical assistance to set up the reports to track outstanding invoices, and adjusted and written-off A/R.</p>

9.	Performance Measures	❖ DMA A/R has measurement tools established to track and measure the accuracy and efficiency of A/R’s daily activities, but does not currently have any written performance measurement goals.	<u>We recommend</u> DMA A/R establish written performance measurement goals that aid management in measuring the accuracy and efficiency of the accounts receivable activities.
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Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- Activities have been proposed by the Department. The full details of this proposed change has not been finalized, and subsequently has not been audited.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No. 630, Section .09, Part III. See page 14 for a description of each control.

In summary, while we found there were overall adequate internal controls in place related to the billing activities conducted in the DMA A/R Section, we noted areas where improvements could be made to enhance the DMA A/R operations and reporting. These areas were related to: updating the current City A/R policy, implementing additional controls over the A/R Supervisor’s capability of writing off accounts receivable, tightening access in the BusinessWorks and Nortridge systems, utilizing sequentially numbered and marked “reprinted” invoices, improving the reporting of accounts receivable, and establishing written performance measurement goals.

## BUILDING SERVICES

*Fiscal Year 2010 Annual Billings – \$1,625*

*(Note: Building Services provided this amount. It has not been audited.)*

### Program Description

*Building Services invoices non-profit organizations and governmental agencies for meeting room rentals.*

Building Services is under Facilities Management and overseen by the Director of Environmental Policy and Energy Resources Service Area. The goal of Building Services is to provide a clean, safe and aesthetic place for employees and the public. Building Services rents meeting rooms in City Hall to non-profit organizations and other government agencies. Building Services staff creates and mails invoices, receives payment for, and monitors their own outstanding invoices. These billings are not processed through DMA A/R. Billings for meeting rooms are not considered a receivable because Building Services requires prepayment for the meeting room rentals, and until the room rental has occurred, the billings are not technically a receivable, although they should be treated as such.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Building Services. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and provides recommendations as applicable.



**Table 5**

<b>BUILDING SERVICES</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	✘ By conducting their own billings, Building Services staff does not follow Administrative Policy and Procedure No. 609.	<p>We provided two overall recommendations to address all of the controls not in place.</p> <p>1) <u>We recommend</u> Building Services issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Building Services should continue to process their own billings outside of DMA A/R.</p> <p>2) Additionally, <u>we recommend</u> Building Services report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.</p>
2. Segregation of Incompatible Duties	✓ Building Services has segregated incompatible billing activities. The Receptionist creates and mails the invoices, while the Clerical Assistant IV receives payment for the invoices.	
3. Monitoring and Reconciliation of Accounts Receivable	✓ The receptionist reconciles by verifying two weeks prior to an event that payment has been made. The Building Maintenance supervisor reconciles quarterly when he compares the meetings that were held with the revenue received.	
4. Security of Assets and Records	✘ Invoices do not, but should, direct payments to be sent to Revenue to minimize Building Services’ access to payments.	
5. Properly Designed Records	<p>✘ Invoices created by Building Services do not include a sequentially numbered invoice.</p> <p>✘ Copies of invoices reprinted by Building Services are not identified as copies or second requests.</p>	
6. Timely preparation of financial reports in conformity with GAAP	✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.	
7. Execution and Transactions	<p>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</p> <p>✘ Outstanding invoices are not currently being recorded in an accounts receivable system.</p>	
8. Information and Communication	✘ Building Services creates and monitors their own tracking reports, but their accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Building Services does not follow APP 609. We noted several internal control weaknesses in their processes, including invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, billing information is not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and rental waivers.

As noted in the table above, our key recommendations are for Building Services to bill their rental activities through the City's centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Building Services request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Building Services' cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Building Services plans to continue to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving waivers, recording waivers, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Building Services report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

## COMMUNICATIONS

**Fiscal Year 2010 Annual Billings - \$5,375**

*(Note: Communications provided the amount billed. It has not been audited.)*

### Program Description

*Communications was invoicing customers for duplicate copies of programs airing on WCOT and to provide video production services to governmental agencies.*

The Communications Office is under the Executive Services Area and is overseen by the Assistant to the City Manager. Communications is responsible for managing WCOT, the City's government access television channel on Comcast channel 13. Communications charges citizens, businesses, and government agencies approved fees to make duplicate copies of programs that air on WCOT and to provide video production services to customers (mostly government organizations). Invoices are sent to customers who do not pay for the services up front. These accounts receivables are not processed through DMA A/R. Communications Office staff creates, mails, receives payment for, and monitors their own invoices. Management reported that the majority of amount billed in FY 2010 (\$5,375) was related to a one-time \$5,000 bill for the production of a pedestrian safety video for Florida State University.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in the Communications Office. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 6**

<b>COMMUNICATIONS</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	✘ By conducting their own billings, Communications staff does not follow Administrative Policy and Procedure No. 609.	<p>We provided two overall recommendations to address all of the controls not in place.</p> <p>1) We recommend Communications issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Communications should continue to process their own billings outside of DMA A/R.</p> <p>2) Additionally, we recommend Communications consistently track all invoices to know how much has been billed, collected, and is still outstanding.</p>
2. Segregation of Incompatible Duties	✘ Communications has one person conducting incompatible billing activities. The TV Station Manager creates the invoices, mails the invoices, and receives payments for the invoices.	
3. Monitoring and Reconciliation of Accounts Receivable	✘ Communications staff does not maintain a log of the invoices they send out, and does not consistently reconcile all of their accounts receivable (i.e., what is billed versus what is collected).	
4. Security of Assets and Records	<p>✓ Communications takes steps to minimize who has access to cash and checks.</p> <p>✘ Invoices do not, but should, direct payments to be sent to Revenue to avoid Communications staff having access to payments.</p>	
5. Properly Designed Records	<p>✘ Invoices created by Communications are not automatically and sequentially numbered.</p> <p>✘ Copies of invoices reprinted by Communications are not identified as copies or second requests.</p>	
6. Timely preparation of financial reports in conformity with GAAP	✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City's year-end financial statements.	
7. Execution and Transactions	<p>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</p> <p>✘ Outstanding invoices are not currently being recorded in an accounts receivable system.</p>	
8. Information and Communication	✘ Communications does not consistently track billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R's records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Communications does not follow APP 609. We noted several internal control weaknesses in their processes, including a lack of segregated duties, invoices that are not sequentially numbered, and directing payments to be sent to them instead of the Revenue Division, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Communications to bill their services through the City's centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Communications request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Communication's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Communications plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collections activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Communications track their invoices, perform periodic supervisory reviews, and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

Subsequent to our review, Communications staff indicated they contacted and requested processing of Communications' invoices through DMA A/R.

## CODE ENFORCEMENT AND THE CITY ATTORNEY'S OFFICE

*Fiscal Year 2010 Annual Billings - \$993,674*

*(Note: Code Enforcement provided the amount billed. It has not been audited.)*

### Program Description

*Code Enforcement invoices citizens for code violation fines.*

Code Enforcement is under the Economic and Community Development Division in the Safety and Neighborhood Services Area. Code Enforcement currently collects fines for code violations, including demolition of condemned structures. Code Officers identify code violations and the Customer Service Aide processes the code violations cases and creates a notice of violation that notifies the owner of their hearing date with the Municipal Code Enforcement Board (Board). Property owners are provided the opportunity to bring their property into compliance prior to the hearing or the Board will hear the case. If the property is not brought into compliance, the Administrative Specialist II processes an order from the Board which includes the fine and per diem amounts if the violations are not corrected. The amount due is calculated by the PETS data system.

If the property is brought into compliance, the Administrative Specialist II sends a letter notifying the owner of the final fine amount due (considered an invoice) to the owner. The invoice instructs the owner to send the amount owed to the Code Enforcement Office. If the owner does not pay the amount due or successfully appeals the fine, after 90 days the file is turned over for collections to the Stiles, Taylor & Grace, P.A. law firm (Stiles), formerly known as Joyner & Jordan-Holmes, P.A. law firm. While demolition cases are not billed through DMA A/R, demolition cases are tracked in DMA A/R's loan tracking system because demolition cases accrue interest penalties if they are not paid on time.

Even though Code Enforcement fines property owners for violations, the intent of the program is to bring the property into compliance, not generate revenue. Code Enforcement sends out notices of violations to the property owners to alert them to a violation of the City's code enforcement laws. Once a case has been to a hearing and still has not been brought into compliance, fines begin to accumulate. When the property is brought into compliance a letter notifying them of the final fine amount due is sent to the

owner. If the amount is not paid within 90 days the case is sent to collections. The amount due is calculated by the PETS data system. These letters are in effect billings because an amount is due to the City based on the assessed fines. Billings are considered accounts receivables until the amounts billed have been paid or reduced.

The City Attorney's office assists Code Enforcement in collection efforts as the liaison and Contract Manager between the City and Stiles. The City Attorney's Office monitors contractual obligations between the City and Stiles, including approving all fine reductions made by Stiles, along with any allowable reimbursement requests submitted by Stiles.

**Assurances, Risks, and Recommendations**

We evaluated the internal controls related to billing activities conducted in both the Code Enforcement and City Attorney areas related to code violations. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

Table 7

CITY ATTORNEY’S OFFICE AND CODE ENFORCEMENT		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action (as needed)
1. Authorization	* By conducting their own billings, Code Enforcement staff does not follow Administrative Policy and Procedure No. 609.	We provided two overall recommendations to address all of the controls not in place.
2. Segregation of Incompatible Duties	* As noted above, the Administrative Specialist II creates and mails the invoices and receives payments.	1) <u>We recommend</u> Code Enforcement issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Code Enforcement should continue to process their own billings outside of DMA A/R.  2) Additionally, <u>we recommend</u> Code Enforcement consistently track all invoices to know how much has been billed, collected, and is still outstanding.
3. Monitoring and Reconciliation of Accounts Receivable	❖ The City Attorney’s Office and Code Enforcement are reviewing the monthly and quarterly reports sent in by Stiles. However, Stiles is reimbursing themselves prior to authorization from the City Attorney’s office, contrary to the terms of the contract.  * The City Attorney’s Office and Code Enforcement do not consistently reconcile all of their accounts receivable records, and no one maintains a log of the code violation notices sent to Stiles.	
4. Security of Assets and Records	* Final amount due notices sent out by Code Enforcement do not, but should, direct payments to be sent to Revenue to minimize access to payments.	
5. Properly Designed Records	* Notices of violations created by Code Enforcement do not include an invoice number.  * Copies of notices of violations reprinted by Code Enforcement are not identified as copies or second requests.	
6. Timely preparation of financial reports in conformity with GAAP	* By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.	
7. Execution and Transactions	* Final amount due notices do not, but should direct payments to be sent to Revenue to expedite deposit of payments.  * Outstanding amounts due are not currently being recorded in an accounts receivable system.	
8. Information and Communication	* Neither the City Attorney’s Office nor Code Enforcement consistently tracks billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.	

Table Legend:

\* Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.



We noted several internal control weaknesses in their processes, including a lack of segregated duties, final amount due notices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Code Enforcement and the City Attorney's Office to invoice their code violation activities through the City's centralized billing process in DMA A/R, and improve their tracking of paid and outstanding invoices. The City Attorney's office has indicated they will work with Accounting Services and request an exception to the policy.

Should Code Enforcement and the City Attorney's Office request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Code Enforcement's and the City Attorney's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Code Enforcement and the City Attorney's Office plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Code Enforcement and the City Attorney's Office track their invoices, perform periodic supervisory reviews, and report year-end outstanding receivables to the DMA Accounting Services

Manager for consideration of inclusion in the City's year-end financial statements.

### **Additional Issues and Recommendations Related to the Code Enforcement Collections Activities**

While performing our audit procedures, it came to our attention that Joyner & Jordan-Holmes, P.A., who later became Stiles, Taylor, Grace, P.A. (Stiles), the law firm hired to collect outstanding Code Enforcement receivables, set up a joint bank account in both the City and Stiles' name, titled "City of Tallahassee, Joyner and Jordan-Holmes." This account is viewed and treated by both the City and Stiles as a "trust account" as defined by the Florida Bar, and requires Florida Bar members to follow specific rules related to the management of and accounting for trust monies. One such requirement is that the bank account name should be clearly labeled and designated as a "trust account." Monies collected by Stiles from the outstanding receivables due to the City are deposited in this account. Stiles issues checks from this account for one of three reasons: 1) to pay the City its share of the collected monies; 2) to pay Stiles the agreed upon fee for collection efforts; or 3) to reimburse Stiles for additional expenses incurred. We noted four issues related to the shared bank account and activities contracted between the City and Stiles. These issues are each described below along with our recommendations.

#### ***1099s have not been correctly issued by the City for payments made to the Stiles law firm for tax years 2004-2010.***

The IRS published *Instructions for Form 1099-MISC*, which outlines when a 1099-MISC should be issued. Typically, payments to corporations are excluded, but payments for legal services are not excluded. Specifically, the IRS states, "The exemption from reporting payments made to corporations does not apply to payments for legal services." The 1099-MISC requires reporting of attorneys' fees in box 7 titled "nonemployee compensation" and "gross proceeds paid to an attorney" in box 14. Every year since the contract began in 2004, Stiles has received at least \$600 from the City, and should have, but did not receive a 1099-MISC. As a result, the City has underreported Stiles' 1099 each year of the contract. As shown in the following table there were also three years in which a 1099 was not sent

because the reported amount was less than the \$600 reporting threshold, even though Stiles actually received compensation above the reporting threshold.

**Table 8**  
**Amounts the City Paid to Stiles in Tax Years 2004 through 2010**

<i><b>Tax Year</b></i>	<i><b>City Reported on the 1099 (1)</b></i>	<i><b>City Paid Stiles for Attorney's Fees (2)</b></i>	<i><b>City Paid to Stiles to Reimburse for Expenses (2)</b></i>	<i><b>Total City Paid to Stiles (2)</b></i>	<i><b>Difference Between Amount Reported and Amount Paid</b></i>
<b>2004</b>	\$0	\$2,028	\$2,588	\$4,616	<b>(\$4,616)</b>
<b>2005</b>	\$1,956	\$21,945	\$4,004	\$25,949	<b>(\$23,993)</b>
<b>2006</b>	\$4,669	\$52,825	\$2,270	\$55,095	<b>(\$50,426)</b>
<b>2007</b>	\$0	\$58,292	\$15,869	\$74,161	<b>(\$74,161)</b>
<b>2008</b>	\$17,129	\$61,782	\$2,190	\$63,972	<b>(\$46,843)</b>
<b>2009</b>	\$450	\$23,890	\$3,128	\$27,018	<b>(\$26,568)</b>
<b>2010</b>	\$3,761	\$52,680	\$2,531	\$55,211	<b>(\$51,450)</b>
<b>Totals</b>	<b>\$27,965</b>	<b>\$273,442</b>	<b>\$32,580</b>	<b>\$306,022</b>	<b>(\$278,057)</b>

Note1: Amounts the City reported on the IRS Form 1099 came from the City's Department of Management & Administration. These amounts have not been audited.

Note 2: Amounts Stiles reported receiving from the City. These amounts have not been audited.

*Subsequent to audit fieldwork, City staff determined how much has been paid to the Stiles law firm and submitted corrected 1099s to the IRS.*

The additional amounts were not reported on the 1099 because payments to Stiles were not processed through PeopleSoft, the City's financial accounting system. The City uses PeopleSoft to process and record disbursements and compiles payment information for 1099 reporting. Any payments or reimbursements not processed through PeopleSoft are not included in the 1099 reporting by that system.

We recommend the City Attorney's Office and Code Enforcement:

- 1) Conduct a complete reconciliation of all receivables sent to Stiles, and its predecessor, since the beginning of their business relationship with the City to verify how much of those receivables have been collected by Stiles, how much Stiles should have been paid for each collection, along with how much of the payments to Stiles should be recorded as nonemployee compensation, and how much should be

recorded as reimbursements for 1099 reporting. [Note: this was completed prior to the release of this report.]

- 2) At the completion of this reconciliation, the City Attorney's Office work with the DMA Procurement Division to immediately correct the prior seven years' 1099 documentation including the payment of penalties and interest, if any, by the City. [Note: this was completed prior to the release of this report.]
- 3) The City close the City's jointly owned bank account with the Stiles Law Firm, and have all collection proceeds deposited into the City's own bank account. This will allow the City to track payments made to Stiles for 1099 reporting. Additionally, it will eliminate the liability of owning a joint account with a non-City business.

***The collection rate and performance of the external collection agent, Stiles, is not being periodically measured or evaluated.***

Staff does track some of the collection information, but the current tracking efforts do not allow staff to evaluate the effectiveness of the collection agency's efforts. Aging analyses, data comparing actual vs. budgeted accounts receivable and write offs, forecasts, and the results from prior periods should be reported to management for analysis and review of the success level of the City's collection efforts. Without such reports and evaluation, there is an increased risk that the City may not be utilizing the most cost effective and successful collections agent to process their outstanding invoices. We also recommend that Code Enforcement and the City Attorney's office work together, and with DMA as necessary, to design and implement processes to measure performance and evaluate the effectiveness of the collection efforts of Code Enforcement's outstanding fines.

***Stiles is writing checks from the joint bank account without receiving prior authorization from the City.***

The contract states in section 4.8, "Once the City has approved the invoices submitted by the Firm, accompanied by copies of original receipts, the Firm may reimburse itself from the Fund for reasonable out-of-pocket expenses..." A monthly collections report along with the monthly bank

statement is submitted by Stiles to the City Attorney's Office and to Code Enforcement.

We sampled five months of reports to review, September 2008, 2009, 2010; December 2010; and January 2011. We noted that Stiles wrote checks to themselves before they requested authorization from the City. A review of these five months showed 21 checks totaling \$34,060 were written by Stiles before requesting authorization from the City. Management reported there was no issue with the amount of the reimbursements, only the timing. The reimbursements were ultimately authorized and in the amounts requested by the Stiles firm. The issue is that the Stiles firm disbursed the funds prior to receiving authorization. Additionally, the contract only allows checks to be written to the City or Stiles. Four checks totaling \$911 were written in December 2010 directly to persons or businesses for items that are covered under the reimbursement section of the contract. Because the contract allows for reimbursement only, no check should be directly written for expenses from this account. Instead, Stiles should pay for the items and then request reimbursement.

Additionally, while the contract does not specify a due date for the monthly collections reports to be submitted to the City, we concluded that Stiles is not submitting the reports in a timely manner. Four of the five monthly reports were submitted over 30 days after the end of the reporting period, with one report coming 102 days after the reporting period ended. For the five months sampled, Stiles averaged sending the monthly report 52 days after the end of the reporting period.

We recommend the City Attorney's Office and Code Enforcement require Stiles to submit reimbursement requests for authorized expenses to the City for review, approval, and processing through the City's accounts payable procedures within a time period that is both reasonable and timely.

***City program revenues and payments made to Stiles have not been properly accounted for or budgeted since 2004.***

The revenue received by the City from Stiles related to the Code Enforcement Program is recorded in the General Fund's Other Miscellaneous Revenue account. The amounts paid to the City and recorded as revenues are **net** of legal fees and expense reimbursements Stiles has already withdrawn from the shared Stiles/City bank account (see prior

issue). For the City to fully show all activities in the account, City reports should show gross revenues, not the net amount (i.e., revenues less amounts paid to Stiles). When the City reports only the net revenue it received, only a portion of the program revenues and none of the associated expenditures paid to Stiles are reported.

The City goes through an annual budget process to identify the resource requirements (i.e., expenditures) and revenue sources for each program. The budget is discussed at public workshops, and ultimately adopted by ordinance by the City Commission. The budget then becomes the basis for management and citizens to determine whether the City obtained and used resources consistent with the legally adopted budget. The City's budget is an important document in establishing and assessing the accountability of those responsible for the management of the City. Because the gross revenues and total expenditures of the Code Enforcement Program are not reported, the anticipated program costs and benefits are not fully disclosed during the budget process to provide information management needs for decision-making purposes.

As shown in Table 9, between February 2004 and February 2011, program revenues were understated by \$306,022 because only \$362,219 was reported when it should have been \$668,241. Program costs were understated by the same amount. The table also shows that through attorney's fees and miscellaneous expenses, Stiles has retained 46% and the City has received 54% of the monies Stiles has collected.

**Table 9**  
**Breakdown of Payments Received by**  
**Stiles for Code Enforcement Cases (1)**

<i>Payment Type</i>	<i>Amount</i>	<i>Percentage of total Code Enforcement Penalties Received by Stiles</i>
Total Code Enforcement fines and penalty payments received by Stiles	\$ 668,241	
Less Attorney's Fees paid to Stiles	(\$ 273,442)	41%
Less Expenses paid to Stiles	(\$ 32,580)	5%
Subtotal of fees & expenses paid to Stiles	<u>\$ 306,022</u>	46%
Net Amount the City Received (Total fines and penalties less fees and expenses paid to Stiles)	\$ 362,219	54%

*Note 1: All payments were reported by Stiles. These amounts are from the beginning of the contract in February 2004 through February 10, 2011 and have not been audited.*

Because expenditures paid to Stiles for Code Enforcement collections are not included in the City's budget and accounting reports, the true cost of the program, and the source and estimated revenues have not been budgeted, authorized, disclosed, or fully accounted for. We recommend the City Attorney's Office and Code Enforcement work with DMA's Accounting Services and Budget Divisions to establish a budget, and account for the program's revenues and expenditures beginning in FY 2012.

Additionally, the City's contract with Stiles allows Stiles to be paid 35% of the amount they collect, and if the City reduces the outstanding balance of a file, Stiles is guaranteed at least \$350 on each of those collections. This means Stiles receives more than 35% on some files, and may even keep the entire amount they collect, if the fine amount is reduced to \$350 or less. In order for the City to retain more of what is collected, we also recommend the City Attorney's Office and Code Enforcement explore whether certain files, such as those which the City will not pursue foreclosure, could be collected through the City's other collection company.

## **FIRE**

***Fiscal Year 2010 Annual Billings - \$630,257***

*(Note: Fire provided the amount billed. It has not been audited.)*

### **Program Description**

*Fire was invoicing for reimbursable grants, rental of the Fire Training facility and after-hours fire inspections.*

The Fire Department (Fire) is under the Safety and Neighborhood Services Area, and its mission is to provide for the safety and welfare of our community and our members through proactive fire prevention, preparation and protection. Fire bills for reimbursable grants, Tallahassee Community College's use of the Fire Training Facility, and after-hours fire inspections at businesses. In the course of their billings, one Fire employee is responsible for creating, mailing, and receiving payment for all of the invoiced activities. These accounts receivables are not processed through DMA A/R.

### **Assurances, Risks, and Recommendations**

We evaluated the internal controls related to billing activities conducted in Fire. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.



**Table 10**

<b>FIRE DEPARTMENT</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	✘ By conducting their own billings, Fire staff does not follow Administrative Policy and Procedure No. 609.	<p>We provided two overall recommendations to address all of the controls not in place.</p> <p>1) <u>We recommend</u> Fire issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Fire should continue to process their own billings outside of DMA A/R.</p> <p>2) <u>We recommend</u> Fire report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.</p>
2. Segregation of Incompatible Duties	✘ Fire has one person conducting incompatible billing activities. The Capital Project Grant Finance Coordinator creates the invoices, mails the invoices, and receives payments for the invoices.	
3. Monitoring and Reconciliation of Accounts Receivable	✓ The Capital Project Grant Finance Coordinator maintains a log of all of the invoices sent out, and consistently reconciles their accounts receivable.	
4. Security of Assets and Records	✘ Invoices do not, but should, direct payments to be sent to Revenue to minimize access to payments.	
5. Properly Designed Records	<p>✘ Invoices created by Fire are not automatically and sequentially numbered.</p> <p>✘ Copies of invoices reprinted by Fire are not identified as copies or second requests.</p>	
6. Timely preparation of financial reports in conformity with GAAP	✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.	
7. Execution and Transactions	<p>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</p> <p>✘ Outstanding invoices are not currently being recorded in an accounts receivable system.</p>	
8. Information and Communication	❖ Fire creates and monitors their own reports, but their accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.	

Table Legend:

- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Fire does not follow APP 609. We noted several internal control weaknesses in their processes, including a lack of segregated duties, invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Fire to bill their services and grants through the City's centralized billing processes in DMA A/R.

Should Fire request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Fire's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Fire plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Fire report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements. At this point in time, grants are not processed through DMA A/R. Fire is still evaluating the best method to invoice grant reimbursement requests.

Subsequent to our review, Fire staff indicated they contacted and requested the processing of Fire's after-hours inspection invoices through Growth Management's permit billing and tracking system.

## HOUSING

**Fiscal Year 2010 Annual Billings - \$34,449**

*(Note: Housing provided the amount billed. It has not been audited.)*

*Housing invoices for several types of loans provided to citizens, including home emergency repairs and rehabilitation.*

### Program Description

Housing is under the Safety and Neighborhood Services Area, within Economic and Community Development and provides loans and grants to citizens for down payment assistance, emergency repair, and owner-occupied rehabilitation. The emergency repair and owner-occupied rehabilitation loans are more like grants than loans because they are not ever expected to be repaid. As a condition of the grant, the emergency repair and the owner-occupied rehabilitation loans allow for the loan to be forgiven if the homeowner occupies the home for a set number of years.

The down payment assistance loans and other miscellaneous housing loans (totaling over \$1.1 million in FY 2010) are processed through DMA A/R, but when loans and grants for emergency home repairs and rehabilitation are required to be repaid (after originally not being expected to be repaid), those invoices are processed within Housing and not through DMA A/R.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Housing. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 11**

<b>HOUSING</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	❖ Loans that are initially expected to be repaid are processed through DMA A/R, emergency repair, and owner-occupied rehabilitation loans are not originally expected to be repaid; when those loans are required to be repaid, Housing processes the billings.	<p>We provided two overall recommendations to address all of the controls not in place.</p> <p>1) <u>We recommend</u> Housing issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Housing should continue to process their own billings outside of DMA A/R.</p> <p>2) Additionally, we recommend Housing report year-end receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.</p>
2. Segregation of Incompatible Duties	✓ Housing has segregated incompatible billing activities. The Administrative Specialist III receives the payments for the loans, the Administrative Specialist II deposits the payments, and the Capital Project Grant Finance Coordinator maintains the list of outstanding loans not processed through DMA A/R. The Administrative Specialist II provides payoff quotes for down payment assistance loans. Additionally, the Administrative Specialist II uses a spreadsheet prepared by the Housing Administrator to calculate the payoffs for owner-occupied rehabilitation loans and emergency repair loans.	
3. Monitoring and Reconciliation of Accounts Receivable	<p>✓ The Housing Administrative Specialist III verifies the accounts billed through A/R are recorded properly, while the Capital Project Grant Finance Coordinator maintains and reconciles the list of outstanding loans that are not processed through DMA A/R.</p> <p>✓ The lists of outstanding loans that are not processed through A/R are reported annually to Accounting Services for inclusion in the City’s year-end financial reporting.</p>	
4. Security of Assets and Records	✗ Invoices and payoff quotes sent by Housing direct the payment to be sent to the Housing office. Housing staff request the payments be sent to them because the payments often need to be split between different accounts. Staff documents the accounts the payments should be recorded to prior to taking the payments to Revenue to be recorded and deposited. Invoices should direct payments to be sent directly to Revenue to minimize access to payments.	

5.	Properly Designed Records	<ul style="list-style-type: none"> <li>✘ Invoices created by Housing are not automatically and sequentially numbered.</li> <li>✘ While Housing does not normally need to reprint invoices, copies of invoices reprinted by Housing are not identified as copies or second requests.</li> </ul>	
6.	Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✓ Housing sends information on loans not billed through DMA A/R, but expected to be paid back to Accounting Services for inclusion in the City’s year-end financial reports. Loans not scheduled to be paid back are considered grants and are not considered a receivable.</li> </ul>	
7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments. [Housing reported they do this for two reasons 1) assure mortgage lien satisfactions are recorded within 30 days, as required by Florida Statute and 2) so they can review the payments received, split as necessary, and assign to the proper accounts before taking the payments to Revenue for deposit.]</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>❖ Housing consistently tracks billings; however, some of their accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.</li> </ul>	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, by sending out their own invoices for selected activities, Housing does not consistently follow APP 609. We noted several internal control weaknesses in their processes, including invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables not billed through DMA A/R are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Housing to bill their loans and grants through the City’s centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Housing request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Housing's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Housing plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Housing report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

## PARKS, RECREATION AND NEIGHBORHOOD AFFAIRS

### *Fiscal Year 2010 Annual Collections – \$39,823*

*(Note: Parks and Recreation provided this amount. It has not been audited. They reported the amount collected from their billings because Parks sent any billings not paid within 72 hours to DMA A/R for further collections. That amount (\$208,508) is already reported in Table 2 on page 13.)*

### **Program Description**

Parks, Recreation and Neighborhood Affairs (Parks) is under the Safety and Neighborhood Services Area and it provides recreational opportunities for the citizens of Tallahassee and Leon County, liaison assistance for neighborhood associations, and operates the Tallahassee-Leon County Animal Center. Parks is responsible for renting out athletic fields, park facilities, and coordinating the rental of other City property, like Kleman Plaza, for special events.

*Parks processes a portion of their billings through DMA A/R. However, some billing of rental and event activities are not processed through DMA A/R, but rather processed within Parks and Recreation.*

Parks processes a portion of their billings through DMA A/R. In FY 2010, over \$208,000 was billed through DMA A/R for athletic field and facility rental, and miscellaneous athletic fees. However, some billing of rental and event activities are not processed through DMA A/R, but rather processed within Parks. Because the billing of these rental and event activities often depend on the amount of hours the City facility is used, and how long lights or other City equipment is used, the exact amount due cannot be determined until after the event concludes. Because the rental or event has already taken place, the amount due is considered a receivable due to the City, and the communication of this amount to the individual or business entity that used the City's facilities is considered a bill or invoice.

Parks staff creates, mails, receives payment for, and monitors their own invoices. These accounts receivables are not processed through DMA A/R. In the event someone does not pay amounts owed within 72 hours after using an athletic field, park facilities, or other City property, Parks staff sends a billing request to DMA A/R for additional billing and collection.

Parks management reported that they implemented several improvements based on recommendations in the Citywide Cash Controls Audit conducted in 2001. As a result, these improvements led to better internal controls and customer service related to cash collections; however, the prior audit did not

address the billing and accounts receivable processes that were included in the scope of this audit.

**Assurances, Risks, and Recommendations**

We evaluated the internal controls related to billing activities conducted in Parks. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 12**

<b>PARKS, RECREATION AND NEIGHBORHOOD AFFAIRS</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	❖ Parks staff does not follow Administrative Policy and Procedure No. 609 in that they prepare and send the initial bill out. For subsequent billings of the same amount due, Parks and Recreation does follow APP 609 by billing through DMA A/R when someone does not pay amounts owed within 72 hours after using an athletic field, park facilities, or other City property. The recommendation to bill through DMA A/R was initially reported by the City Auditor’s Office in the Cash Controls Audit Report (#0134 dated August 2001).	We provided two overall recommendations to address all of the controls not in place.  1) <u>We recommend</u> Parks issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Parks should continue to process their own billings outside of DMA A/R.
2. Segregation of Incompatible Duties	✖ Parks has several staff who individually conduct incompatible billing activities, including recording the amount owed, preparing and mailing invoices, receiving payments, recording the payments received, monitoring outstanding invoices, and issuing refunds.	2) Additionally, <u>we recommend</u> Parks consistently reconcile all invoices to know how much has been billed, collected, and is still outstanding.
3. Monitoring and Reconciliation of Accounts Receivable	❖ Parks staff maintain a filing system of rentals which they regularly review to monitor for nonpayment. Staff either closes the files once payment has been received or sends non-payments to A/R for additional billing. To ensure that all revenues are collected for rentals and events, Parks should create a log to regularly reconcile invoices to recorded revenues.  ✖ Parks is not verifying the amounts billed through DMA A/R. This recommendation was initially made in the City Auditor’s Cash Controls Audit (#0134 dated August 2001).	



4.	Security of Assets and Records	<ul style="list-style-type: none"> <li>✘ Accounts Receivable payments are received and stored in the Parks and Recreation Offices, not the Revenue Division. The same staff sending invoices and recording amounts owed also have access to the payments.</li> </ul>	
5.	Properly Designed Records	<ul style="list-style-type: none"> <li>❖ While some of the invoices created by Parks are sequentially numbered, others are not sequentially numbered, and none are automatically numbered.</li> <li>✘ Copies of invoices reprinted by Parks are not identified as copies or second requests.</li> <li>✘ The invoice sent by DMA A/R after turned over by Parks when payment has not been received within the 72-hour window is not identified as a copy or second request.</li> </ul>	
6.	Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City's year-end financial statements.</li> </ul>	
7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments. The recommendation for individuals to be instructed to send their payments to Revenue was initially reported in the Cash Controls Audit Report (#0134 dated August 2001).</li> <li>✘ Outstanding invoices are not currently being recorded in an accounts receivable system for tracking purposes.</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>❖ Parks does not consistently track billings to enable preparation of A/R reports. Also, not all of Parks and Recreation's accounts receivables are included with DMA A/R's records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.</li> </ul>	

Table Legend:

- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, by sending out invoices for selected activities, Parks does not consistently follow APP 609. We noted several internal control weaknesses in their processes, including a lack of segregated duties, invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables not billed through DMA A/R are not reported to Accounting Services for consideration of

inclusion into the year-end financial statements, and not all of Parks' receivables are included with DMA A/R's records for a top level management review. Some of these were identified in a previous audit, but have not yet been corrected.

As noted in the table above, our key recommendations are for Parks to bill their services and rental activities through the City's centralized billing processes in DMA A/R, and reconcile all invoices to know how much has been billed, collected, and is still outstanding.

Should Parks request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Parks' cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Parks plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Parks track their invoices and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

## PROPERTY MANAGEMENT

**Fiscal Year 2010 Annual Billings – \$70,480**

*(Note: Property Management provided the amount billed. It has not been audited.)*

*Property Management invoices for sales of cemetery lots, and leases of parking garages, and other miscellaneous City property.*

### Program Description

The Property Management Division is under the Safety and Neighborhood Services Area. Property Management is responsible for the management of the Renaissance and Gemini Buildings, City cemeteries, parking garages, leases and miscellaneous property, sale of surplus real estate, and acquisition of rights-of-way and easements for capital projects. Property Management processes their billings through DMA A/R, with the exception of burial plots. FY 2010 billings totaling over \$431,000 were processed through DMA A/R. This amount does not include burial plots as those amounts have not been tracked.

Property Management sells burial plots to funeral homes for families. The funeral home works with Property Management staff to pay for the plot after the burial, allowing the funeral home time to receive payment from the families or insurance companies. In these circumstances, Property Management provides to the funeral home a copy of the burial request form indicating the amount owed for the burial plot. These burial request forms are considered to be a bill or invoice. When the burial occurs prior to the receipt of payment, the amount owed becomes a receivable to the City. Property Management staff creates, delivers, receives payment for, and monitors their own invoices for cemetery purchases. These accounts receivables are not processed through DMA A/R.

Property Management reported that they implemented several improvements based on recommendations in the Citywide Cash Controls Audit conducted in 2001. As a result, these improvements led to better internal controls and customer service related to cash collections; however, the prior audit did not address the billing and accounts receivable processes that were included in the scope of this audit.

In addition, the City issued an audit of selected City Revenues, report #0703, in November 2006 that addressed the inventory of burial plots and the reconciliation of collected funds to deposited revenue. The scope of that audit did not address the billing and accounts receivable process that were included in the scope of this audit.

**Assurances, Risks, and Recommendations**

We evaluated the internal controls related to billing activities conducted in Property Management. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 13**

<b>PROPERTY MANAGEMENT</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1.	Authorization	<ul style="list-style-type: none"> <li>✘ By conducting their own billings for cemetery sales, Property Management staff does not follow Administrative Policy and Procedure No. 609.</li> </ul>
2.	Segregation of Incompatible Duties	<ul style="list-style-type: none"> <li>✘ Property Management has one person conducting incompatible billing activities. The Supervisor of Cemeteries creates invoices, delivers the invoices, and receives payment for the invoices.</li> </ul>
3.	Monitoring and Reconciliation of Accounts Receivable	<ul style="list-style-type: none"> <li>✓ Property Management does reconcile the cemetery sales once the payments have been made.</li> <li>❖ While an invoice log is not maintained, the cemetery lots sold, amounts received, and amounts outstanding are recorded and tracked in a sales book maintained by the Supervisor of Cemeteries. Property Management does not maintain a separate log of the invoices sent out. Such a log provides managers the capability to monitor and reconcile outstanding receivables.</li> </ul>
4.	Security of Assets and Records	<ul style="list-style-type: none"> <li>✘ Invoices direct payments to be sent to the Supervisor of Cemeteries, not to the Revenue Division. The Supervisor of Cemeteries therefore has access to the payments (checks).</li> </ul>
5.	Properly Designed Records	<ul style="list-style-type: none"> <li>❖ Invoices created by Property Management are automatically and sequentially numbered, but the receipts in the receipt book are not.</li> <li>✘ Copies of invoices reprinted by Property Management are not identified as copies or second requests.</li> </ul>

We provided two overall recommendations to address all of the controls not in place.

1) We recommend Property Management issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Property Management should continue to process their own billings outside of DMA A/R.

2) Additionally, we recommend Property Management consistently track all invoices to know how much has been billed, collected, and is still outstanding.

6.	Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.</li> </ul>	
7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</li> <li>✘ Outstanding invoices are not currently being recorded in an accounts receivable system.</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>✘ Property Management does not consistently track billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R’s records for proper top level review of actual vs. budgets and forecasts.</li> </ul>	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No. 630. See Table on page 14 for a description of each control.

In summary, by conducting their own billings for cemetery burial plot sales, Property Management staff does not consistently follow Administrative Policy and Procedure No. 609. We noted several internal control weaknesses in their processes, including a lack of segregated duties, invoices that are not sequentially numbered and directing payments to be sent to Property Management instead of the Revenue Division, outstanding receivables not processed through DMA A/R are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Property Management to bill their services through the City’s centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Property Management request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Property Management’s cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Property Management plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Property Management track their invoices, perform periodic supervisory reviews, and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

## GROWTH MANAGEMENT

*Fiscal Year 2010 Annual Billings – \$157,032*

*(Note: Growth Management provided the amount billed. It has not been audited.)*

### Program Description

Growth Management is under the Development and Transportation Services Area, and is the land development regulatory agency of City government. The department implements the City's environmental and land development activities. The department is also responsible for enforcing the City's building codes through review of building plans, permitting, and the inspection process.

*Growth Management invoices individuals and businesses for reviews of building plans, permitting, and inspections.*

Growth Management is responsible for invoicing and collecting payments for three main services:

- 1) Building permits are issued when a new structure is being built, or changes are being made to an existing structure.
- 2) Building inspections are conducted through each phase of the construction for which the building permit was issued.
- 3) Land use permits are issued for requests in how to develop a parcel of land.

Permits are typically not issued until full payment is received. Some invoices are sent out if the permit is not paid in full at the time of application. Growth Management staff creates, mails, receives payment for, and monitors their own invoices. Several staff members can perform several or all of these functions. These accounts receivables are not processed through DMA A/R.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Growth Management. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

Table 14

<b>GROWTH MANAGEMENT</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1.	Authorization	<p>✘ By conducting their own billings, Growth Management staff in all three areas does not follow Administrative Policy and Procedure No. 609. Management is evaluating their processes to determine if their processes and controls would be improved by processing their billings through the DMA A/R Section.</p>
2.	Segregation of Incompatible Duties	<p>✘ Growth Management has several staff in each of the three areas who individually can conduct incompatible billing activities. Growth Management staff create their own invoices, mail the invoices, and receive payments for the invoices.</p> <p>➤ Management is evaluating their processes to determine if their processes and controls would be improved by processing their billings through the DMA A/R Section and having payments sent to the Revenue Division.</p>
3.	Monitoring and Reconciliation of Accounts Receivable	<p>✓ Growth Management reconciles payments made into the Growth Management system (PETS), with what is posted in the PeopleSoft financial system.</p> <ul style="list-style-type: none"> <li>• Building permits are reconciled daily</li> <li>• Inspection applications are reconciled daily</li> <li>• Land use environmental applications are reconciled monthly</li> </ul>

We provided three overall recommendations to address all of the controls not in place.

1) We recommend Growth Management issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Growth Management should continue to process their own billings outside of DMA A/R.

2) We recommend Growth Management report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.

3) We recommend Growth Management work with ISS to limit access in PETS to what users need to accomplish their required tasks, and promptly remove terminated employees’ access to PETS.



4.	Security of Assets and Records	<ul style="list-style-type: none"> <li>✘ There were City and County users with system administrative access that should not have been assigned that level of access in PETS in all three areas. The assigned access was too much based on their job duties.</li> <li>✘ City and County users are assigned access that allows county users to modify city data and city users to modify county data.</li> <li>✘ Terminated employees no longer working at the City still had active access into the PETS system.</li> <li>✘ There is a lack of segregation of duties caused by access levels assigned in the PETS system. Many staff in Growth Management, and throughout the Economic Development area outside of Growth Management have the capability to initiate and change bills and record payments received in the system. Additionally, some of these staff also have access to cash.</li> <li>➤ Management indicated they were re-evaluating user access to limit access as needed to perform job duties.</li> </ul>	
5.	Properly Designed Records	<ul style="list-style-type: none"> <li>✘ Invoices created by Growth Management are not automatically and sequentially numbered. All three areas in Growth Management identify the permit number on the invoice, but none include an invoice number.</li> <li>✘ Copies of invoices reprinted by Growth Management are not identified as copies or second requests.</li> <li>➤ Growth Management is in the process of designing a web interface to allow customers to apply for permits and receive invoices online. Customers will be directed to send their payments to the Revenue Office.</li> </ul>	
6.	Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City's year-end financial statements.</li> </ul>	

7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</li> <li>✓ Outstanding invoices are currently being recorded in an accounts receivable system in PETS.</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>✘ Growth Management does not consistently track billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R's records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue. All three areas had items that were either closed, voided, or items that were paid through the Revenue office and were not timely updated in PETS.</li> </ul>	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.
- Activities have been proposed by the Department. The full details of this proposed change has not been finalized, and subsequently has not been audited.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Growth Management does not follow APP 609. We noted several internal control weaknesses in their processes, including a lack of segregated duties due to billing activities and assigned user access in the PETS system, too many users with access in the PETS system greater than what their job duties require, invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Growth Management to bill their permitting and inspection activities through the City's centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Growth Management request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Growth Management's cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Growth Management plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and collection activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City's collection policy on past due receivables.

Additionally, we recommend Growth Management report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City's year-end financial statements.

## PUBLIC WORKS – CAPITAL PROJECTS

**Fiscal Year 2010 Annual Billings – \$306,996**

*(note: Public Works provided the amount billed. It has not been audited.)*

### Program Description

Public Works is under the Development and Transportation Services Area and often will use City resources and staff to improve infrastructure throughout the City, including widening non-City owned roads in agreement with Leon County or the State of Florida stating the City will be reimbursed for the project after the work is complete. Public Works processes billings related to street sweeping, signal maintenance and renting of metered parking spaces through DMA A/R (\$1.1 million in FY 2010). However, billings of capital projects (\$306,996, or 27%, in FY 2010) are processed within Public Works. The billings and receivables that Public Works – Capital Projects initiates are reimbursement requests for these projects the City has completed in agreement with the County or State. Public Works staff creates, mails, receives payment for, and monitors their own invoices. These accounts receivables are not processed through DMA A/R.

*Public Works invoices for infrastructure projects the City completed for either Leon County or the State of Florida.*

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Public Works – Capital Projects. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 15**

<b>PUBLIC WORKS – CAPITAL PROJECTS</b>			
<b>Applicable Control Activity (Note 1)</b>		<b>Assurances/Risks</b>	<b>Recommendation/Corrective Action (as needed)</b>
1.	Authorization	<ul style="list-style-type: none"> <li>✘ By conducting their own billings, Public Works staff does not follow Administrative Policy and Procedure No. 609.</li> </ul>	<p>We provided two overall recommendations to address all of the controls not in place.</p> <p>1) <u>We recommend</u> Public Works issue all billings and invoices through DMA A/R, as outlined in Administrative Policy and Procedure No. 609, and monitor the invoices to ensure correct amounts are being billed. Additional steps should be taken if executive management determines Public Works should continue to process their own billings outside of DMA A/R.</p> <p>2) Additionally, <u>we recommend</u> Public Works consistently track all invoices to know how much has been billed, collected, and is still outstanding.</p>
2.	Segregation of Incompatible Duties	<ul style="list-style-type: none"> <li>✘ Public Works has one person conducting incompatible billing activities. The Administrative Specialist II creates invoices, mails the invoices, and receives payments for the invoices.</li> </ul>	
3.	Monitoring and Reconciliation of Accounts Receivable	<ul style="list-style-type: none"> <li>✘ Public Works does not maintain a log of the invoices they send out, and does not consistently reconcile all of their accounts receivable.</li> </ul>	
4.	Security of Assets and Records	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to the Revenue Division. The Administrative Assistant therefore has access to the payments received.</li> </ul>	
5.	Properly Designed Records	<ul style="list-style-type: none"> <li>✘ Invoices created by Public Works are not automatically and sequentially numbered.</li> <li>✘ Copies of invoices reprinted by Public Works are not identified as copies or second requests.</li> </ul>	
6.	Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.</li> </ul>	
7.	Execution and Transactions	<ul style="list-style-type: none"> <li>✘ Invoices do not, but should, direct payments to be sent to Revenue to expedite deposit of payments.</li> <li>✘ Outstanding invoices are not currently being recorded in an accounts receivable system.</li> </ul>	
8.	Information and Communication	<ul style="list-style-type: none"> <li>✘ Public Works does not consistently track billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.</li> </ul>	

Table Legend:

✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Public Works – Capital Projects does not follow APP 609. We noted there were several internal control weaknesses in their processes, including a lack of segregated duties, invoices that are not sequentially numbered and directing payments to be sent to them instead of the Revenue Division, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Public Works – Capital Projects to bill their services through the City’s centralized billing processes in DMA A/R, and improve their tracking of paid and outstanding invoices.

Should Public Works – Capital Projects request an exception to the policy, we recommend the department director, Accounting Services Manager, and executive management evaluate Public Works’ cost-benefit analysis and segregation of duties plan to determine whether an exception to APP 609 should be approved. Such exception should be documented.

The cost-benefit analysis should show how the City would benefit and be more efficient conducting accounts receivable activities outside of DMA A/R. The segregation of duties plan should describe how Public Works plans to segregate duties and mitigate risks when staff perform incompatible billing activities (e.g., recording the amount owed, preparing and mailing the invoices, receiving payments for the invoices, recording the payments received, reconciling payments received to amounts owed, monitoring outstanding invoices, approving write offs, recording write offs, and issuing refunds). Ultimately, areas conducting their own billing and receivable activities should implement all appropriate controls that a centralized accounts receivable and revenue section would, and follow the City’s collection policy on past due receivables.

Additionally, we recommend Public Works – Capital Projects track their invoices, perform periodic supervisory reviews, and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.

## RISK MANAGEMENT

**Fiscal Year 2010 Annual Billings – \$338,537**

*(Note: Risk Management reported the amount collected in FY 2010.)*

### Program Description

*Risk Management invoices individuals or businesses for damages against City property.*

*Due to unordinary circumstances, Risk Management has been approved to process billings and payments outside of the normal City's A/R and Revenue processes.*

Risk Management is under the City Treasurer-Clerk's office and is responsible for administering the City's self-insured programs, ensuring City resources are adequately protected, and monitoring insurance requirements for all City contracts, agreements, requests for proposals, and special events. Risk Management routinely bills for damages against City property. When someone damages City property, either the responsible party, or their insurance company is billed for the repair or replacement of the damaged property. The Risk Management staff creates, mails, receives payment for, and monitors their own invoices. These accounts receivables are not processed through DMA A/R.

Additionally, payments are directed to be sent directly to the Risk Management Office in order for staff to determine if the amount remitted is correct. The City Attorney's Office has interpreted state insurance laws such that if the City were to deposit a check remitted by an insurance company, the City is therefore accepting the payment to meet the obligation fully, even if the amount submitted is less than due. Therefore, Risk Management's billings and payments are processed outside of the DMA A/R Section, and are expected to implement adequate internal controls in their processes.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Risk Management. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

Table 16

RISK MANAGEMENT		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action (as needed)
1. Authorization	❖ While Risk Management staff does not follow Administrative Policy and Procedure No. 609, they have implemented office procedures which were audited in 2010. The audit reported that the risk management billing processes overall were found to have adequate internal controls in place and some recommendations were provided to enhance operations.	<u>We recommend</u> Risk Management work with DMA A/R to document an exception to APP 609.
2. Segregation of Incompatible Duties	✓ Risk Management has segregated incompatible billing activities. The Risk Management Specialist, Staff Adjuster, and Worker’s Compensation Examiner create and mail their own invoices. The Administrative Specialist I receives the payments.	
3. Monitoring and Reconciliation of Accounts Receivable	❖ Risk Management has not always reconciled their accounts receivable, but they recently implemented a reconciliation process.	Risk Management staff has begun using their risk management software program to help track outstanding receivables. <u>We recommend</u> they implement procedures to conduct reconciliations on a regular basis.
4. Security of Assets and Records	✓ In general, City invoices should direct payments to be sent to Revenue to minimize access to payments, however as explained above, the City Attorney’s office agrees that the amounts on the checks received from insurance companies must be verified prior to being deposited.  Risk Management staff have implemented adequate procedures to minimize and secure access to payments received.	
5. Properly Designed Records	✓ While the invoices created by Risk Management are not sequentially numbered, the invoices do include the claim number, which is sequentially numbered and assigned by RiskMaster, the risk management software system, along with the date of the incident.  ✘ Copies of invoices reprinted by Risk Management are not identified as copies or second requests.	<u>We recommend</u> reprinted invoices be clearly marked as duplicate invoices.



6.	Timely preparation of financial reports in conformity with GAAP	✘ By not processing billings through DMA A/R, DMA Accounting Services does not receive the information needed for consideration in the City’s year-end financial statements.	<u>We recommend</u> Risk Management submit year-end outstanding receivables amount to Accounting Services to be considered for inclusion in the City’s annual financial statements.
7.	Execution and Transactions	✓ City APP 616, Policy on Revenue Collections, requires all payments to be directed to the Revenue Division, but does grant an exception to Risk Management Division in order for them to receive claim settlement payments directly. The exception allows Risk Management staff to determine if the payment should be accepted as “final payment”, rejected, or held until additional payments are received.  ✓ Outstanding invoices are currently being recorded in an accounts receivable system.	
8.	Information and Communication	✘ Risk Management does not consistently track billings to enable preparation of A/R reports. Also, accounts receivables are not included with DMA A/R’s records for top level review of actual vs. budgeted collections necessitating changes in forecasted revenue.	Risk Management staff has begun using their risk management software program to help track outstanding receivables and produce reports to evaluate the success of collections efforts. <u>We recommend</u> Risk Management conduct periodic evaluations to measure the level of success of their collections efforts.

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Risk Management appropriately conducts its billings outside of DMA A/R and should therefore implement appropriate internal controls related to their billing activities. We noted there were several internal control weaknesses in their processes, including a lack of outstanding invoice reconciliation, outstanding receivables are not reported to Accounting Services for consideration of inclusion into the year-end financial statements, and there is currently not a top level management review of collections and write offs.

As noted in the table above, our key recommendations are for Risk Management to implement procedures to conduct reconciliations on a regular basis, and report year-end outstanding receivables to the DMA Accounting Services Manager for consideration of inclusion in the City’s year-end financial statements.

## REVENUE

**Fiscal Year 2010 Annual Billings – \$1,914,423**

*(Note: Revenue provided the amount billed. It has not been audited.)*

### Program Description

*Revenue conducts its own billing activities by creating, mailing, receiving payment for, and monitoring of business tax certificate renewals.*

The Revenue Division is under the City Treasurer-Clerk's office and is responsible for collecting the revenue due to the City from all sources, and administering all of the tax programs. Revenue annually bills businesses to renew their Business Tax Certificate (formerly called occupational license) for the privilege of engaging in any business, occupation, or profession in the City. Revenue follows requirements in Florida Statute Section 205.053 and City of Tallahassee Ordinance Chapter 18 Section 18-33, and bills businesses on July 1 of each year payable before October 1. Billings for business taxes are not considered a receivable because they are not technically a receivable until October 1, and the financial statement ending date is September 30. A separate tax certificate is to be obtained for each location and business activity. Revenue staff creates, mails (through UBCS), receives payment for, and monitors their own invoices. These accounts receivables are not processed through DMA A/R, and have not been included in the City's annual financial reports.

### Assurances, Risks, and Recommendations

We evaluated the internal controls related to billing activities conducted in Revenue. The following table shows the results of our review noting the controls that were in place, controls that were not in place, and recommendations as applicable.

**Table 17**

<b>REVENUE</b>		
<i>Applicable Control Activity (Note 1)</i>	<i>Assurances/Risks</i>	<i>Recommendation/Corrective Action (as needed)</i>
1. Authorization	<ul style="list-style-type: none"> <li>✘ By conducting their own billings, Revenue does not follow Administrative Policy &amp; Procedure No. 609. Revenue management indicated that they conduct their billings in house because they need the approximately 12,000 invoices to have a remittance stub on them for their computer to read the serial numbers at the bottom in order to correctly process the payments. Revenue also needs to process the payments by a certain date, and does not want to put the volume of invoices on DMA A/R in a short period of time.</li> </ul>	<p>Discussions with Revenue and Accounting Services revealed they believe it is more effective for Revenue to continue billing for business licenses. To ensure there are adequate internal controls in place, <u>we recommend</u> Revenue:</p> <p>1) Work with DMA A/R to document an exception to APP 609.</p> <p>2) Implement proper segregation of duties or compensating controls over the billing activities, including recording the amount owed, preparing, receiving payments, recording the payments received, and monitoring outstanding invoices.</p> <p>3) Identifying reprinted invoices as copies or second requests.</p> <p>Audit Note: An in-depth audit of Revenue is currently underway, and further recommendations on segregation of duties will be included in that audit.</p>
2. Segregation of Incompatible Duties	<ul style="list-style-type: none"> <li>✘ Revenue has several staff who individually conducts incompatible billing activities, including recording the amount owed, preparing, receiving payments, recording the payments received, and monitoring outstanding invoices.</li> </ul>	
3. Monitoring and Reconciliation of Accounts Receivable	<ul style="list-style-type: none"> <li>✓ Revenue has implemented and performs reconciliation procedures of their accounts receivable.</li> </ul>	
4. Security of Assets and Records	<ul style="list-style-type: none"> <li>✘ In general, City invoices should direct payments to be sent to Revenue to minimize access to payments, however since the same Revenue staff creates and mails the invoices and receives payments, there is a lack of security of assets and records.</li> </ul>	
5. Properly Designed Records	<ul style="list-style-type: none"> <li>✓ Invoice numbers are automatically assigned in sequential order by the computer system that Revenue uses to invoice business licenses.</li> <li>✘ Copies of invoices reprinted by Revenue are not identified as copies or second requests.</li> </ul>	
6. Timely preparation of financial reports in conformity with GAAP	<ul style="list-style-type: none"> <li>✓ Revenue's outstanding receivables are in conformity with GAAP.</li> </ul>	

7.	Execution and Transactions	✓ Outstanding invoices are currently being recorded in an accounts receivable system. Revenue maintains a separate database to process and track billings for the Business Tax Certificates. The database (i.e. system) is capable of producing various reports to assist staff in tracking outstanding receivables.	
8.	Information and Communication	❖ Revenue consistently tracks billings and staff investigates businesses with outstanding receivables. Revenue and Treasurer-Clerk management regularly measures and evaluates the program's performance.	

Table Legend:

- ✓ Activities increased assurance that proper controls are in place.
- ❖ Activities were generally appropriate to provide assurance; however, risks were identified for which additional enhancements and/or improvements are needed.
- ✱ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from Internal Control Guidelines - Administrative Policy and Procedure No.630. See Table on page 14 for a description of each control.

In summary, Revenue does not follow APP 609. As noted in the table above, discussions with Revenue and Accounting Services revealed they believe it is more effective for Revenue to continue billing for business licenses. To ensure there are adequate internal controls in place, we recommend Revenue:

- 1) Work with DMA A/R to document an exception to APP 609.
- 2) Implement proper segregation of duties or compensating controls over the billing activities, including recording the amount owed, preparing, receiving payments, recording the payments received, and monitoring outstanding invoices.
- 3) Identifying reprinted invoices as copies or second requests.

An in-depth audit of Revenue is currently underway, and further recommendations on segregation of duties will be included in that audit.

## ***Billing of Grants Activities, Issues, and Recommendations***

*The risks associated with billing for grants reimbursements are less than billing individuals and businesses for services rendered.*

*City departments should, however, make Accounting Services aware of the grants receivables at year-end for inclusion in the year-end financial statements.*

During our audit, we reviewed the internal controls related to grants billing activities billed directly by departments in the scope of our audit, but did not include grants being billed through DMA A/R as the external auditors include grants processed through DMA A/R in their annual financial audit. We noted that Accounting Services was not aware of every grant received and being billed by the departments. This is further explained in the below issue.

**Accounting Services has not been made aware of all grants received and being billed by City departments and therefore has not been including all year-end grants receivables in the City's year-end financial statements.**

The City does not have a centralized grants administration section or policy directing departments on how to process grant applications, bill for grant payments, and report on grants revenue and receivables. Grants received by the City should be included in the City's annual budget and the year-end financial statements.

During our audit, we noted that departments were processing grant reimbursements using specific required paper or web applications, each specific to the grant received. Table 18 shows the departments processing grants billings and the types of grants.

**Table 18**  
**Departments Billing for Grants Outside of DMA A/R**

<i>Department</i>	<i>Type of Grant Being Billed</i>
Fire Department	State Homeland Security Grants
Economic Development	Community Development Block Grants, Emergency Shelter Grants, HOME Partnership Grants, Homeless Prevention and Rapid Re-Housing Program, Neighborhood Stabilization Program Grants, State Housing and Initiative Program Grants
Police Department	Federal JAG Grant, Federal COPS Grant, Federal LETF Grant, State JAG Grant, FDLE Grant, State Byrne Memorial Grant, State PSN Anti-Gang Grant, State FDLE Homeland Security Grant, State FDOT Grant

It was logical that these departments processed their own billings since they were knowledgeable about the specific grant reporting requirements. It is not reasonable to expect DMA A/R to be knowledgeable about the specific reporting requirements of every grant the City receives. However, there should be a process in place to ensure that departments notify the proper budget and accounting staff of all grants received so they are included in the annual budget and financial statements. The Accounting Services Manager and the Policy Manager are developing policies and procedures for grants and billings. We recommend DMA continue working on the development and implementation of procedures related to grants management to provide guidance to departments on what is required related to processing billing and reporting of grants received by the City.

## ***Collection Activities, Issues, and Recommendations***

*The City utilizes two sources for collection efforts, a collection agent and a law firm.*

### **Description of Collection Activities**

City Policy 609, Accounts Receivable Billing (non-Utility) assigns the responsibility for initiating the collection process for non-payment to the DMA A/R Section. The A/R Section has developed internal procedures related to billing and after 60 days sends unpaid receivables to the UBCS to continue the collections activities. See pages 9-11 for a description of the A/R and collections activities.

Unpaid, non-utility invoices are sent to one of two collection companies, Merchant's Association Collection Division (MACD), or the Stiles Law Firm. Stiles is under contract with the City through the City Attorney's Office, and serves as the City's collection agent on code enforcement fines. The issues and recommendations related to the collection efforts for Code Enforcement through Stiles are addressed on pages 27-32.

The MACD has been under contract with the City through the UBCS and serves as the City's collection agent on all other invoices.

### **Issues and Recommendations Related to the Collection Efforts at UBCS**

We noted four issues with the collection efforts related to developing a collections policy, operating without a current contract, monitoring the unpaid invoices sent to collections agents, and measuring the performance of the collections agents. Each of these is described in further detail below.

***The City is utilizing MACD as a collection agent without a current contract.***

UBCS has been using MACD as a collections agent under the same contract conditions of a contract that expired in 2002. Subsequent to our review, UBCS started working with Procurement to start the bid solicitation process, and a new contract is expected to be in place by the end of FY 2012. By not having a current executed contract in place, there is an increased risk that the City may not be utilizing the most cost effective and successful collections agent to process their outstanding invoices. While not under A/R's authority, DMA A/R should be involved to help facilitate who is responsible for performance of the accounts receivable function. We recommend UBCS work with DMA A/R and Procurement to develop the

bid solicitation and evaluate the bid proposals in order to implement a new collections contract as soon as possible.

***Neither DMA A/R nor UBCS consistently monitor the non-utility invoices sent to MACD for collections.***

When UBCS sends the invoice to the outside collection company, MACD, DMA A/R records the write-off amount in the A/R system, BusinessWorks, and consequently, the amount due to the City is no longer tracked, even though collection attempts are ongoing. The amounts in collection by customer should be shared with all City Departments to ensure further services are not provided to customers that have outstanding amounts due to the City. For instance, if a customer renting a Parks and Recreation facility monthly has not paid the amounts due and the unpaid invoice has been sent to collections, the recurring rental services to this customer should be terminated, and the provision of additionally requested City rental services could be delayed until past amounts due are paid. Additionally, any outstanding amounts due that are subsequently paid through the collections process should be communicated to ensure that services can be provided again.

Information of the non-paying customer could be shared to prevent other departments from providing services until all outstanding payments have been made. Additionally, outstanding amounts due to the City could be checked by Human Resources during the screening process for job applicants and by staff making recommendations for citizen advisory boards. We recommend UBCS work with DMA A/R to establish a process to consistently track and follow up with the collection agency in order to know how much has been sent to collections, and how much has been received in these collections efforts, as well as the specific accounts that have not been collected.

***The collection rate and performance of the external collection agent, MACD, is not being periodically measured or evaluated.***

Once the outstanding invoices are sent to the outside collection agent, MACD, City staff are not conducting a comprehensive tracking or measuring the level of success of their collection efforts. Staff does track some of the collection information, but the current tracking efforts do not



allow staff to evaluate the effectiveness of the collection agency's efforts using aging analyses, data comparing actual vs. budgeted, forecasts, and the results from prior periods should be reported to management for analysis and review of the success level of the City's collection efforts. Without such reports and evaluation, there is an increased risk that the City may not be utilizing the most cost effective and successful collections agent to process their outstanding invoices. We recommend UBCS work with DMA A/R to design and implement processes and reports to measure performance and evaluate the effectiveness of the collection efforts of outstanding non-utility receivables.

## ***Conclusion***

This report provides a description of how accounts receivables and collections are being processed and provides recommendations to improve operations to comply with City policy, and implement internal controls necessary to ensure billing and collections processes are appropriate and the City's assets are adequately protected. We evaluated the billing processes in DMA A/R and in 11 other departments within the City that conduct their own billings and the related risks associated for each area. Additionally, we evaluated the collections activities and business practices of external collectors.

Our audit results indicate that overall, there were adequate controls related to the A/R activities performed in the DMA A/R Section, but not in the majority of the 11 departments conducting their own billing. We provided recommendations related to revising the accounts receivable policy to allow for documented exceptions to the policy, as long as certain guidelines are adhered to and internal controls implemented. Additionally, we recommended changes to the outside collection efforts, including establishing a new contract for non-utility collections (not including foreclosures), tighter controls on the bank account that code enforcement collection monies are deposited into, and tracking the collection rates and level of success of the City's collection agents.

Appendix C provides management's action plan to address our recommendations.

We would like to thank and acknowledge the full and complete cooperation and support of all City management and staff during this audit. Service areas providing direct assistance included the Department of Management and Administration (Accounting Services and Procurement Services), the Assistant to the City Manager (Communications), the Department of Environmental Policy and Energy Resources (Property Management and Facilities Management), the City Attorney's Office, Safety and Neighborhood Services (Code Enforcement; Fire Department; Housing; Parks, Recreation and Neighborhood Affairs; and Property Management), Development and Transportation Services (Growth Management and Public Works), and the City Treasurer-Clerk's Office (Revenue and Risk Management).

***Appointed  
Official's  
Response*****City Manager:**

The City Auditor's Office has conducted a thorough and detailed audit of the City's non-utility accounts receivable processes and procedures. The issues detailed in the report demonstrate the complexity and diversity of the City's non-utility revenue stream. I am extremely pleased with the cooperation demonstrated by Mr. McCall's team and staff of the various audited departments. I am sure that the recommended improvements will result in measurable financial results beneficial to this government and the community and I have no doubt that the action items identified in this report will ensure that internal controls and City policies are continued to be strictly adhered to in the future. I would like to thank the Auditor's Office as well as all of the departments for their hard work on this audit.

**City Treasurer-Clerk:**

We thank the City Auditor and his staff for their comprehensive review of the City's accounts receivable process, including billing processes in the Risk Management and Revenue divisions. We are pleased with their recognition of existing controls and welcome their suggestions to improve controls over existing processes. Completion of the action plan items will help to ensure that these processes are enhanced and properly documented.

**City Attorney:**

The City Attorney's response is provided in Appendix A on the following page.

# Appendix A – City Attorney’s Response



## OFFICE OF THE CITY ATTORNEY

### MEMORANDUM

**TO:** Sam M. McCall  
City Auditor

**FROM:** James R. English  
City Attorney

**SUBJECT:** City Accounts Receivable Audit Response  
Code Enforcement Fine Collections

**DATE:** December 16, 2011

The City Attorney’s Office (CAO) has carefully reviewed the audit of the Code Enforcement processes and submits this response and attached Action Plan.

1. Stiles Trust Account. The CAO agrees with the Auditor's recommendation to close the Stiles Trust Account. The CAO has informed the Stiles firm that the account will be closed. We will modify the procedures so payments for Code Enforcement fines are deposited in an internal City of Tallahassee account.
2. 1099 Forms. The CAO has provided all information requested by Accounts Payable for issuance of supplemental 1099 forms for the Stiles law firm. The 1099 forms will be issued by Accounts Payable. The CAO will revise its reimbursement procedures with the Stiles firm to provide that legal fees and expenses are reimbursed through payment by the CAO; the Stiles firm will no longer pay expenses from the Stiles Trust Account. The revision to the reimbursement procedures will resolve the 1099 issue for all future years.
3. Reimbursement of Stiles Expenses. The Auditor has identified instances where the Stiles firm paid expenses from the Trust Account prior to authorization from the CAO. As noted above, the Stiles Trust Account will be closed and the Stiles law firm’s fees and expenses will be reimbursed by check issued by the City following receipt of an invoice with supporting documentation. These changes will eliminate the potential for the Stiles firm to pay expenses without City authorization.
4. Code Enforcement Billings. In 2004, after discussion with staff in Auditing, Accounts Receivable, Treasurer-Clerk Revenue Office, Code Enforcement, City Attorney’s Office, and the City Manager, the City Attorney, pursuant to authorization previously granted by the City Commission, entered into a contract with the outside collections law firm (now the Stiles firm). The 2004 contract provided for collection of Code Enforcement fines outside of DMA accounts

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CITY TREASURER-CLERK

GIL D. ZIFFER  
COMMISSIONER  
JAMES R. ENGLISH  
CITY ATTORNEY

NANCY MILLER  
COMMISSIONER  
SAM M. MCCALL  
CITY AUDITOR

MARK MUSTIAN  
COMMISSIONER

**Sam M. McCall, City Auditor**  
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receivable. As part of the current audit, the CAO, Code Enforcement staff and Accounting Services discussed the prospect of processing Code Enforcement fines through DMA accounts receivable. Accounting Services staff confirmed that due to a number of issues, including fine balances which change daily, reconsideration of fines by the Code Enforcement Board and substantial reduction or forgiveness of fines, negotiated settlements reducing fines, etc., the Code Enforcement fines should be billed outside of DMA.

5. Collection Rate. The Auditor's report correctly notes that compliance with City Ordinances governing housing, building and other areas is the purpose of Code Enforcement: the purpose is not revenue collection. Code Enforcement staff and the CAO agree that we experienced substantial improvements in compliance when we retained a private law firm for collection of Code Enforcement fines. We have also investigated alternatives to using the Stiles firm and are satisfied that, for the time being, no other option would provide a more effective solution or a greater rate of return.

6. Reconciliation of Accounts. Code Enforcement and the CAO have been tracking the fines submitted to the Stiles firm and the amounts collected. Tracking of collection amounts will be enhanced when fine payments are deposited in an internal City of Tallahassee account. We agree that the Code Enforcement outstanding fines and collections should be reconciled going forward and recommend that such reconciliation be performed by Code Enforcement staff.

7. Code Enforcement in Budget. The CAO recognizes that a revision of the collection procedures, specifically including closing the Stiles Trust Account and modification of the Stiles reimbursement procedures, will require the appropriation of money in the City's budget for future legal fees and expenses.

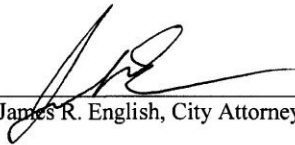
8. Other Areas to Be Addressed by Code Enforcement Staff. Certain areas of the Auditor's report address procedures such as sequential numbering of Notices of Violation, deposit of payments, and segregation of duties by Code Enforcement officers. These issues will be addressed in a separate response by Code Enforcement staff.

Attached is the Appendix B Action Plan for Code Enforcement/City Attorney's Office fine collections.

**Sam M. McCall, City Auditor**  
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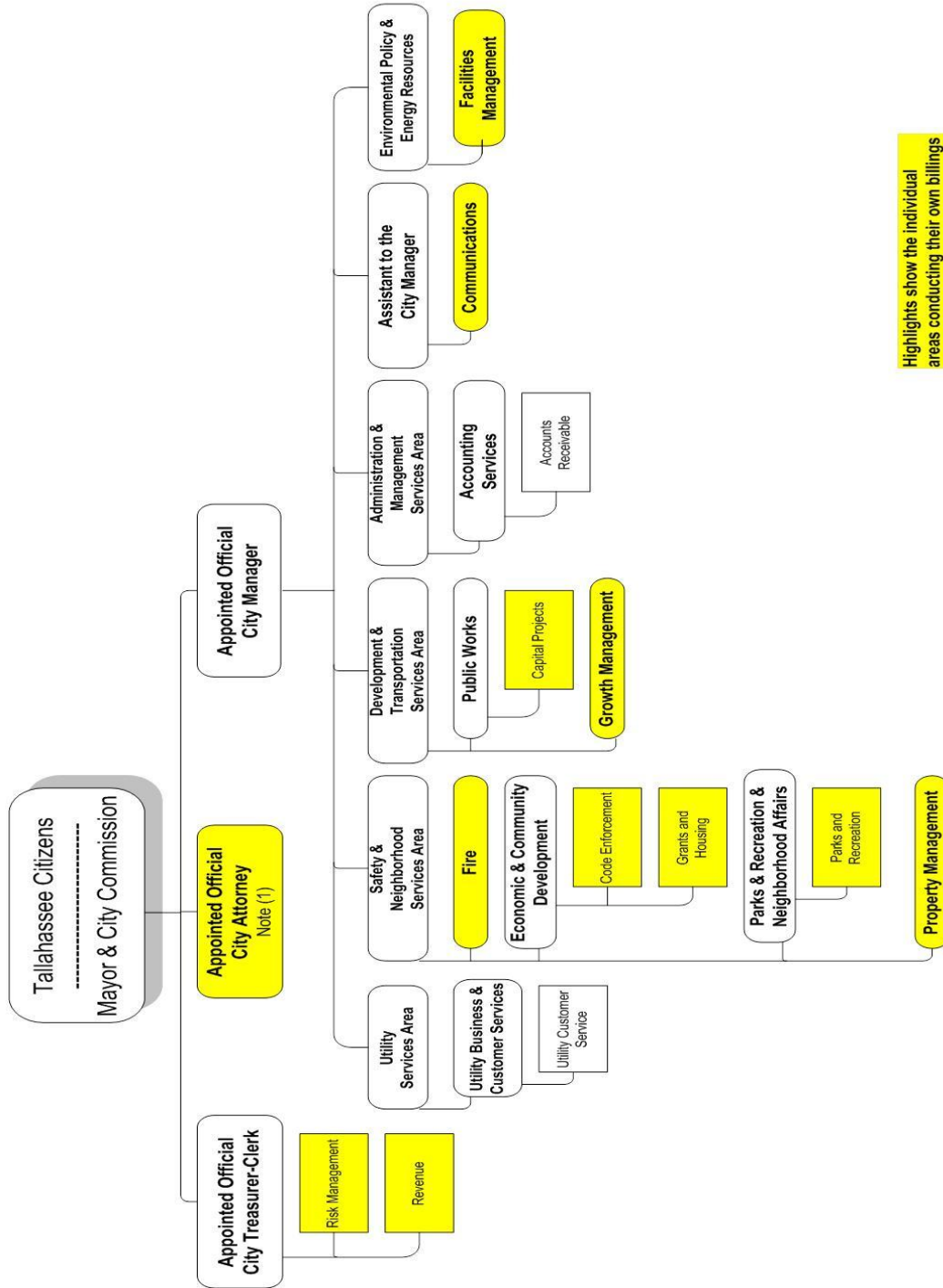
Please contact me if you have any questions or would like to discuss this matter further.

Respectfully submitted,

  
\_\_\_\_\_  
James R. English, City Attorney

cc + attach: Beth Breier, Audit Manager  
Patrick Cowen, Auditor  
Lewis E. Shelley, Deputy City Attorney  
Louis Norvell, Assistant City Attorney  
Nita Kirkpatrick, City Attorney's Office  
Raoul Lavin, Department of Management and Administration  
Rick Feldman, DMA Accounting Services  
Tom Lewis, Economic and Community Development  
Wanda Whitehead, Economic and Community Development  
Jeanie Green, Economic and Community Development  
Sherrie Ashline, Economic and Community Development

# Appendix B – Organization Chart of Departments and Divisions Within the City Conducting Their Own Billings



Highlights show the individual areas conducting their own billings

## Appendix C – Management’s Action Plan

Action Steps	Responsible Employee(s)	Target Date
<b>A. DMA A/R</b>		
1. DMA A/R will annually distribute the A/R policy as a reminder that all billings should be processed through DMA A/R.	Rick Feldman	February 1, 2012
2. All areas will either have access to BusinessWorks, or receive an electronic copy of the reports from BusinessWorks.	Tammy Erewa-Harris & Rick Feldman	April 1, 2012
3. A/R policy will be modified to allow for certain exemptions to the policy, as long as proper internal controls are in place.	Rebecca Scarano & Rick Feldman	April 1, 2012
4. DMA will either implement additional controls to prevent the A/R Supervisor from approving her own write offs or monitor write offs made by the A/R Supervisor.	Rick Feldman	February 1, 2012
5. Individual user IDS and passwords will be assigned for each person who has systems administrator access.	Tammy Erewa-Harris & Rick Feldman	Completed prior to the report being released, and will be reviewed during the first follow up period.
6. The upgrade to the Nortridge system will allow the capability of assigning unique user IDs and passwords to each user.	Tammy Erewa-Harris & Rick Feldman	October 1, 2012
7. DMA A/R will identify ways to utilize the functionality of BusinessWorks to improve reporting capabilities.	Tammy Erewa-Harris & Rick Feldman	April 1, 2012
8. Top level reviews will be conducted of A/R activities.	Rick Feldman	February 1, 2012
9. DMA A/R will work with BusinessWorks technical assistance to set up reports necessary to track outstanding invoices, and adjusted and written-off A/R.	Tammy Erewa-Harris & Rick Feldman	April 1, 2012
10. DMA A/R will establish written performance measurement goals to aid management in measuring the accuracy and efficiency of the accounts receivable activities.	Rick Feldman	February 1, 2012



<b>B. Building Services</b>			
1.	Issue all billings and invoices through DMA A/R.	Joanne Becknell	January 2012
2.	Monitor the invoices to ensure correct amounts are being billed.	Joanne Becknell	January 2012
<b>C. Communications</b>			
1.	Issue all billings and invoices through DMA A/R.	Misi Tuttle	Completed prior to the report being released, and will be reviewed during the first follow up period.
2.	Monitor the invoices to ensure correct amounts are being billed.	Misi Tuttle	Completed prior to the report being released, and will be reviewed during the first follow up period.
<b>D. Code Enforcement and City Attorney's Office</b>			
1.	Request and document an exception to APP 609, and implement all appropriate internal controls.	Rick Feldman, Lou Norvell, Nita Kirkpatrick, Wanda Whitehead, and Jeanie Green	February 29, 2012
2.	Monitor the invoices to ensure correct amounts are being billed.	Jeanie Green	March 1, 2012
3.	Conduct a complete reconciliation of all receivables sent to Stiles, and its predecessor, since the beginning of their 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 nonemployee compensation, and how much should be recorded as reimbursements for 1099 reporting.	Nita Kirkpatrick	Completed prior to the report being released.
4.	At the completion of this reconciliation, work with DMA Procurement to immediately correct the prior 7 years' 1099 documentation including the payments of penalties and interest, if any, by the City.	Nita Kirkpatrick	Completed prior to the report being released.
5.	Close the City's jointly owned bank account with Stiles.	Lou Norvell, and Nita Kirkpatrick	February 29, 2012

<p>6. Have all collection proceeds deposited into the City’s own bank account.</p>	<p>Rick Feldman, Wanda Whitehead, Kellee Edwards, &amp; Sherrie Ashline</p>	<p>March 1, 2012</p>
<p>7. Implement a process to measure performance and evaluate the effectiveness of the collection efforts of Code Enforcement’s outstanding fines.</p>	<p>Jeanie Green &amp; Sherrie Ashline</p>	<p>March 31, 2012</p>
<p>8. Require Stiles to submit reimbursement requests for authorized expenses to the City for review, approval, and processing through the City’s accounts payable procedures within a time period that is both reasonable and timely.</p>	<p>Lou Norvell, Nita Kirkpatrick, Jeanie Green &amp; Sherrie Ashline</p>	<p>March 1, 2012</p>
<p>9. Determine if certain files could be collected through the City’s other collection company.</p>	<p>Lou Norvell &amp; Code Enforcement Staff</p>	<p>Completed prior to the report being released, and will be reviewed during the first follow up period.</p>
<p>10. Request an appropriation of money in the City’s budget for future legal fees and expenses.</p>	<p>Nita Kirkpatrick</p>	<p>March 1, 2012</p>
<p><b>E. Fire</b></p>		
<p>1. Issue after-hour inspections through Growth Management.</p>	<p>Bill Cowdrey</p>	<p>Fire has begun to bill through Growth Management’s PETS system. This will be reviewed during the first follow up period.</p>
<p>2. 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 our procedure to conform with it.</p>	<p>Bill Cowdrey</p>	<p>Dependent upon Action Plan M1.</p>

3. 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 our Invoice Database which is being maintained to document correct invoiced amounts and to identify errors for correction. These actions are intended to resolve all of the audit issues for Fire's non-grant billings (numbering of invoices, receipt of payment, etc.)	Bill Cowdrey	Fire has begun to bill through DMA A/R for all other billings. This will be reviewed during the first follow up period.
<b>F. Housing</b>		
1. Issue all billings and invoices through DMA A/R.	Jackie Riggins-Coates	February 1, 2012
2. Monitor the invoices to ensure correct amounts are being billed.	Carol Shirkey & Thomas Jones	February 1, 2012
<b>G. Parks and Recreation</b>		
1. 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.	Cindy Mead	March 1, 2012
2. Monitor the invoices to ensure correct amounts are being billed.	Cindy Mead	March 1, 2012
<b>H. Property Management</b>		
1. 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.	Mark Beaudoin	March 1, 2012

<b>I. Growth Management</b>			
1.	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.	Doug Moore	March 31, 2012
2.	Develop and put into place a detailed process whereby all invoice activity (defined as those instances where Growth Management currently mails request to the customer for payment) is sent to Accounts Receivable for collections activity. Growth Management staff will utilize the BusinessWorks application to monitor the collection activities of the Accounts Receivable Section and then post payments into Permits Plus. There were eight (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 (1) non-SWOP activity. There were no instances of invoice activity for the Administration Division for the FY 2010 period.	Doug Moore	February 29, 2012
3.	Develop a reconciliation process that will compare the fees collected by the Treasurer-Clerk's office and the payments that have been posted in Permits Plus by Growth Management staff.	Doug Moore	March 31, 2012
4.	Put into place a detailed process whereby all fees for in house customers of the Building Inspection Division are sent to the Treasurer-Clerk's office to render payment for permitting activities. This will eliminate daily reconciliation processes of cash and checks by Building Inspection Staff.	Doug Moore	July 31, 2012
5.	Work with ISS to limit access in PETS to what users need to accomplish their required tasks, and promptly remove terminated employees' access to PETS.	Doug Moore	Completed prior to the report being released, and will be reviewed during the first follow up period.

<b>J. Public Works – Capital Projects</b>			
1.	Issue all billings and invoices through DMA A/R.	Greg Wilkerson	February 15, 2012
2.	Monitor the invoices to ensure correct amounts are being billed (including Operations & Traffic).	Greg Wilkerson	February 15, 2012
<b>K. Risk Management</b>			
1.	Work with DMA A/R to document an exception to APP 609.	Art Pitts	March 31, 2012
2.	Implement procedures to conduct reconciliations on a regular basis.	Art Pitts	March 31, 2012
3.	Reprinted invoices will be clearly marked as a second request.	Art Pitts	March 31, 2012
4.	Year-end outstanding receivables will be submitted to DMA A/R to be considered for inclusion in the City's annual financial statements.	Art Pitts	Completed prior to the report being released, and will be reviewed during the first follow up period.
5.	Conduct periodic evaluations to measure the level of success of Risk Management's collection efforts.	Gail Shuffler	September 30, 2012
<b>L. Revenue</b>			
1.	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.	Jennifer Whittaker	June 30, 2012
<b>M. Billing of Grants</b>			
1.	DMA will develop and implement procedures related to grants management to provide guidance to departments on what is required related to processing billing and reporting of grants received by the City.	Rick Feldman	July 1, 2012
<b>N. Collection Activities</b>			
1.	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.	Rhonda Reaves-Smith and Rick Feldman	January 1, 2013
2.	UBCS and DMA A/R will develop a bid solicitation to implement a new collections contract.	James Barnes	January 1, 2013

<p>3. 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 collections, and how much has been received in these collections efforts, as well as the specific accounts that have not been collected.</p>	<p>James Barnes</p>	<p>January 1, 2013</p>
<p>4. UBCS and DMA A/R will design and implement processes and reports to measure performance and evaluate the effectiveness of the collection efforts of outstanding non-utility receivables.</p>	<p>James Barnes and Rick Feldman</p>	<p>January 1, 2013</p>
<p><b>O. Departments Not Verifying the amount billed by DMA A/R</b></p>		
<p>1. ISS will monitor the invoices to ensure correct amounts are being billed.</p>	<p>Sabrina Holloman</p>	<p>March 31, 2012</p>
<p>2. TPD will monitor the invoices to ensure correct amounts are being billed.</p>	<p>Gary Williams</p>	<p>January 31, 2012</p>
<p>3. Underground Utilities will monitor the invoices to ensure correct amounts are being billed.</p>	<p>Gordon Klein</p>	<p>March 31, 2012</p>