

Final Audit Follow-Up

As of May 31, 2015



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City Auditor

Audit of Selected Departments Performing Accounts Receivable Functions

(Report #1204 issued February 15, 2012)

Report #1512

June 29, 2015

Summary

This is the fifth and final follow-up on the Audit of Selected Departments Performing Accounts Receivable Functions (Report #1204 issued February 15, 2012). As of May 31, 2015, forty-five (85%) of the fifty-three action plan steps established to address issues identified in that audit have been completed. The remaining eight steps are in progress with responsibility to ensure their completion turned over to management.

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

Additionally, we recommended departments and offices conducting their own billing or collection activities implement all appropriate controls that a centralized accounts receivable and revenue section would have in place and follow the City's revenue collection policy and procedures (APP 616).

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

As noted in our prior follow-up reports, several departments and offices (areas) have completed all of their assigned action plan steps. Those areas include Building Services; Code Enforcement; City Attorney's Office; Communications; Housing; Information System Services (ISS); Parks, Recreation, and Neighborhood Affairs (PRNA); Tallahassee Police Department (TPD); Property Management; Public Works – Capital Projects; Risk Management; and Underground Utilities. Other departments completed some, but not all, of their action plan steps. Those departments include DMA, Tallahassee Fire Department (Fire), Growth Management, and Utility Business and Customer Services (UBCS). The 45 action plan steps completed by City departments/divisions involved enhancing knowledge of, access to, functionality of, and controls over the City's accounts receivable system, records, and process.

Responsibility for ensuring completion of the remaining eight steps, for which actions are in progress but not completed, is turned over to management. Those eight steps include:

- Modifying the accounts receivable policy (APP 609) to allow certain exemptions to the policy, as long as proper internal controls are in place for the affected areas/processes (DMA A/R).

- Implementing additional controls to monitor any write-off of accounts by the A/R supervisor, or establish controls that preclude such write-offs by that supervisor (*DMA A/R*).
- Completing the installation of a system upgrade (i.e., for a system used to process loans receivable) that will provide the capability to assign unique users IDs and passwords for each system user (*DMA A/R*).
- Establishing written performance measurement goals for the purpose of aiding management in measuring the accuracy and efficiency of accounts receivable activities (*DMA A/R*).
- Developing procedures for billing for reimbursement of certain grants expenses (*Fire Department*).
- Establishing an enhanced process and/or controls relating to payments for building inspection services/fees by walk-in customers (*Growth Management*).
- Developing and implementing procedures for grants management that provide guidance to City departments on billing and reporting of grants (*DMA*).
- Developing and implementing a collections policy that provides directives and guidance on staff responsibility for specific oversight and monitoring procedures (*DMA, UBCS, and City Attorney's Office*).

These eight remaining steps were initially due for completion no later than January 2013. While earlier delays were attributed to other reasons, the recent delay in completing these remaining action plan steps is attributable, at least in part, to a transition in management and staff within DMA Accounting Services over the last twelve months. During this transition period, the primary focus of management has been to maintain and sustain normal business operations while new managers and staff acclimate to their new roles and positions. During this current follow-up engagement,

management indicated that staff plans to complete most of the remaining actions by the end of fiscal year (FY) 2015. Because of this stated intent and, also because 85% of all action plan steps have been previously completed, responsibility for following up to ensure the remaining eight action plan steps are completed is turned over to City management.

We appreciate the cooperation and assistance provided by City management and staff during this follow-up audit, particularly those in DMA Accounting Services, Fire, and Growth Management.

Scope, Objectives, and Methodology

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

Original Report #1204

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

The audit objectives were to:

- 1) Obtain an understanding of and evaluate internal controls related to non-utility accounts receivable and collections processes.

- 2) Identify any billing functions that were not being conducted according to City policies and accounts receivable not reported on the City's financial statements.

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

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

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

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

Report #1512

This is our fifth and final follow-up on action plan steps identified in audit report #1204. The purpose of this follow-up is to report on the progress and status of efforts as of May 31, 2015, to complete the action plan steps due for completion as of March 31, 2015. To determine

the status of the action plan steps, we interviewed staff and reviewed relevant documentation.

Background

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

As noted in the original audit report, DMA A/R processed approximately \$32.5 million (or 88%) of the total \$37 million of non-utility A/R processed by the City in FY 2010. Approximately \$4.5 million (12% of the total non-utility billings in FY 2010) were processed outside of DMA A/R by 11 City departments and offices. The 11 departments and offices conducting their own billing activities separate from DMA A/R were Building Services, Communications, Code Enforcement (in partnership with the City Attorney's Office), Fire, Housing, PRNA, Property Management, Growth Management, Public Works – Capital Projects, Risk Management, and Revenue. Housing and PRNA processed some, but not all of their respective billings through DMA A/R.

Previous Conditions and Current Status

In report #1204 we concluded that, overall, there were adequate internal controls in place related to billing activities processed through DMA A/R. However, our review of the billing activities conducted by DMA A/R and those 11 departments and offices administering their own

billings disclosed that billings were not always handled in a manner consistent with City policy and good business practices. Also, proper and adequate internal controls, such as those providing for the proper segregation of duties and the monitoring and reconciliation of accounts receivable records, were not always established.

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

- There was not a City policy related to non-utility collection activities identifying who was responsible for performing collection activities and what controls should be in place, what reporting was required, or how performance should be measured.
- The performance of select non-utility collections by the external collection agents was not measured or evaluated.

- Prior to receiving required City authorization, the Stiles law firm wrote checks to reimburse the firm from a bank account jointly owned with the City.
- City program revenues and payments made to Stiles had not been properly accounted for or budgeted since 2004.
- City-prepared Internal Revenue Service (IRS) Form 1099s reported incorrect payment amounts to the Internal Revenue Service (IRS) for Stiles from 2004 to 2011.

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

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

Table 1
Action Plan Steps from Audit Report #1204
Due as of March 31, 2015, and Current Status as of May 31, 2015

Action Plan Steps Due as of March 31, 2015	Current Status as of May 31, 2015
A. DMA A/R	
<ul style="list-style-type: none"> • DMA A/R will annually distribute the A/R policy as a reminder that all billings should be processed through DMA A/R. <i>[Report #1204 Action Plan Step A.1.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • All areas will either have access to BusinessWorks, or receive an electronic copy of the reports from BusinessWorks. <i>[Report #1204 Action Plan Step A.2.]</i> 	✓ Completed in a prior period.

<ul style="list-style-type: none"> A/R policy will be modified to allow for certain exemptions to the policy, as long as proper internal controls are in place. <i>[Report #1204 Action Plan Step A.3.]</i> 	<ul style="list-style-type: none"> ❖ In progress - Turned over to management to ensure completion and resolution. Accounting Services stated they are in the process of revising Administrative Policy and Procedure #609 (APP 609), the Accounts Receivable Policy, for concerns addressed in the audit. In doing so they are evaluating whether other aspects of the policy should also be enhanced or clarified. For example, consideration is being given to including a policy section to address responsibility for oversight and monitoring of collections (see step N.1 within this table). The Accounting Services Manager also indicated the new A/R Supervisor, once hired, will be expected to provide additional input and suggestions as to policy revisions. Accounting Services plans to complete the policy revisions and obtain management approval by the end of FY 2015.
<ul style="list-style-type: none"> DMA will either implement additional controls to prevent the person serving in the A/R Supervisor role from approving write-offs performed by that person, or require the monitoring of the write-offs made by the A/R Supervisor. <i>[Report #1204 Action Plan Step A.4.]</i> 	<ul style="list-style-type: none"> ❖ In progress - Turned over to management to ensure completion and resolution. Accounting Services is exploring how additional controls and overall efficiencies in the accounts receivable section may be established by utilizing additional features of PeopleSoft Financials when that system is upgraded in the near future. Until then, Accounting Services stated they are implementing a process where the Accounting Services Manager will be able to print a report directly from BusinessWorks, the current accounts receivable software program used by Accounting Services, which will allow for proper monitoring of any accounts written off by the A/R Supervisor. The Accounting Services Manager indicated this step should be completed by July 1, 2015.
<ul style="list-style-type: none"> Individual user IDs and passwords will be assigned for each person who has systems administrator access. <i>[Report #1204 Action Plan Step A.5.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> The upgrade to the Nortridge system will allow the capability of assigning unique user IDs and passwords to each user. <i>[Report #1204 Action Plan Step A.6.]</i> 	<ul style="list-style-type: none"> ❖ In Progress - Turned over to management to ensure completion and resolution. Accounting Services acquired the upgrade to Nortridge as of the previous follow-up report; however, not having a full time A/R Supervisor and the retirement of the former Accounting Services Manager in June 2014 has delayed implementation of the upgrade. The new Accounting Services Manager, hired in August 2014, stated his goal is to complete installation of the upgrade by the end of July 2015.
<ul style="list-style-type: none"> DMA A/R will identify ways to utilize the functionality of BusinessWorks to improve reporting capabilities. <i>[Report #1204 Action Plan Step A.7.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.

<ul style="list-style-type: none"> • Top level reviews will be conducted of A/R activities. [Report #1204 Action Plan Step A.8.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • DMA A/R will work with BusinessWorks technical assistance staff to set up reports necessary to track outstanding invoices and adjusted and written-off A/R. [Report #1204 Action Plan Step A.9.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • DMA A/R will establish written performance measurement goals to aid management in measuring the accuracy and efficiency of the accounts receivable activities. [Report #1204 Action Plan Step A.10.] 	❖ In Progress - Turned over to management to ensure completion and resolution. The Accounting Services Manager indicated the intent to hire a new A/R Supervisor in the near future. Once hired, the new A/R Supervisor will be tasked with the responsibility of completing this action step within a few months.
B. Building Services	
<ul style="list-style-type: none"> • Issue all billings and invoices through DMA A/R. [Report #1204 Action Plan Step B.1.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step B.2.] 	✓ Completed in a prior period.
C. Communications	
<ul style="list-style-type: none"> • Issue all billings and invoices through DMA A/R. [Report #1204 Action Plan Step C.1.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step C.2.] 	✓ Completed in a prior period.
D. Code Enforcement and City Attorney’s Office	
<ul style="list-style-type: none"> • Request and document an exception to APP 609, and implement all appropriate internal controls. [Report #1204 Action Plan Step D.1.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step D.2.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • Conduct a complete reconciliation of all receivables sent to Stiles, and its predecessor, since the beginning of the business relationship with the City to verify how much should have been paid for each collection, along with how much of the payments to Stiles should be recorded as non-employee compensation and how much should be included in IRS Form 1099 reporting. [Report #1204 Action Plan Step D.3.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • At the completion of this reconciliation, work with DMA Procurement to immediately correct the prior seven years’ IRS Form 1099 documentation, including the payment of penalties and interest, if any, by the City. [Report #1204 Action Plan Step D.4.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> • Close the City’s jointly owned bank account with Stiles. [Report #1204 Action Plan Step D.5.] 	✓ Completed in a prior period.

<ul style="list-style-type: none"> Have all collection proceeds deposited into the City’s bank account. <i>[Report #1204 Action Plan Step D.6.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Implement a process to measure performance and evaluate the effectiveness of the collection efforts for Code Enforcement’s outstanding fines. <i>[Report #1204 Action Plan Step D.7.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Require Stiles to submit expense reimbursement requests to the City for review, approval, and processing through the City’s accounts payable procedures within a period that is both reasonable and timely. <i>[Report #1204 Action Plan Step D.8.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Determine if certain A/R files could be collected through the City’s other collection company. <i>[Report #1204 Action Plan Step D.9.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Request an appropriation in the City’s budget for future contracted legal fees and expenses. <i>[Report #1204 Action Plan Step D.10.]</i> 	✓ Completed in a prior period.
E. Fire	
<ul style="list-style-type: none"> Issue after-hour inspections invoices through Growth Management. <i>[Report #1204 Action Plan Step E.1.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Billings for State Homeland Security Grant Program expenditure reimbursement: Fire's action plan for development of procedures for grant expense billings is pending the development of a new citywide procedure as it has been recognized that the City’s procedures do not adequately address these types of billings. Upon development of the citywide procedure, Fire will develop a conforming procedure. <i>[Report #1204 Action Plan Step E.2.]</i> 	❖ In progress - Turned over to management to ensure completion and resolution. As noted under Action Plan Step M.1, Accounting Services is working to provide guidance for departments on what is required related to the billing and reporting of grants received by the City. Fire stated they are planning to follow any grant related procedures established by Accounting Services.
<ul style="list-style-type: none"> Billings for all other services: Fire began processing some of these invoices through DMA A/R in July 2011 and as of December 2011 Fire began processing all non-grant billings through DMA A/R. Regarding the requirement that we check/confirm the invoice amounts billed by DMA A/R with Fire’s requested amounts, a new field has been added to Fire’s Invoice Database which is being maintained to document correct invoiced amounts and to identify errors. These actions are intended to resolve all of the audit issues for Fire’s non-grant billings (numbering of invoices, receipt of payment, etc.). <i>[Report #1204 Action Plan Step E.3.]</i> 	✓ Completed in a prior period.
F. Housing	
<ul style="list-style-type: none"> Issue all billings and invoices through DMA A/R. <i>[Report #1204 Action Plan Step F.1.]</i> 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Monitor the invoices to ensure correct amounts 	✓ Completed in a prior period.

<p>are being billed. [Report #1204 Action Plan Step F.2.]</p>	
<p>G. Parks, Recreation, and Neighborhood Affairs</p>	
<ul style="list-style-type: none"> 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. [Report #1204 Action Plan Step G.1.] 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> Monitor the invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step G.2.] 	<p>✓ Completed in a prior period.</p>
<p>H. Property Management</p>	
<ul style="list-style-type: none"> 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. [Report #1204 Action Plan Step H.1.] 	<p>✓ Completed in a prior period.</p>
<p>I. Growth Management</p>	
<ul style="list-style-type: none"> 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. [Report #1204 Action Plan Step I.1.] 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> Develop and put into place a detailed process whereby all invoice activity (defined as those instances where Growth Management currently mails requests to customers for payment) is sent to Accounts Receivable for processing. Growth Management staff will utilize the BusinessWorks application to monitor the collection activities of the Accounts Receivable Section and then post payments into Permits Plus. There were 8 instances of such activity for the FY 2010 period for Building Inspection. There were 262 Storm Water Operating Permits (SWOP) for the FY 2010 period for Land Use and Environmental Services that fall into this category and one non-SWOP activity. There were no instances of invoice activity for the Administration Division for the FY 2010 period. [Report #1204 Action Plan Step I.2.] 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> Monitor the invoices billed through DMA A/R to ensure correct amounts are being billed. 	<p>✓ Completed in a prior period.</p>

<p>[Note: this action plan item was revised to better reflect the monitoring of billings.] <i>[Report #1204 Action Plan Step I.3.]</i></p>	
<ul style="list-style-type: none"> Put into place a detailed process whereby all walk-in customers of the Building Inspection Division are sent to the Treasurer – Clerk’s Revenue Office to render payment for permitting activities. This will eliminate daily reconciliation processes of cash and checks by Building Inspection Staff. <i>[Report #1204 Action Plan Step I.4.]</i> 	<ul style="list-style-type: none"> ❖ In progress - Turned over to management to ensure completion and resolution. The City is in the process of upgrading the IPay software system already in use by several City departments as an end-of-day processing system where departments electronically document the type (cash, check, credit card) and the amount of payments received in their department that day. The IPay upgrade will include a point-of-sale feature allowing City departments the ability to accept electronic checks and debit/credit cards at the point-of-sale, which will automatically record the type and amount of payments received. Growth Management is planning to implement the upgraded IPay system allowing customers the ability to make payments electronically both in person and online, which Growth Management believes will provide for a more positive customer service experience. The City’s Revenue Office anticipates the IPay upgrade will be implemented by December 31, 2015, or shortly thereafter, beginning with Growth Management.
<ul style="list-style-type: none"> Growth Management will implement a process to monitor and ensure Growth Management employees’ access to PETS, including system administrator rights, is limited to only what is needed for their respective job responsibilities. (Note: Due to limitations in the PETS system, this action plan was revised to better reflect the controls over user access that could be implemented.) <i>[Report #1204 Action Plan Step I.5.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<p>J. Public Works – Capital Projects</p>	
<ul style="list-style-type: none"> Issue all billings and invoices through DMA A/R. <i>[Report #1204 Action Plan Step J.1.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> Monitor the invoices to ensure correct amounts are being billed (including Operations and Traffic). <i>[Report #1204 Action Plan Step J.2.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<p>K. Risk Management</p>	
<ul style="list-style-type: none"> Work with DMA A/R to document an exception to APP 609. <i>[Report #1204 Action Plan Step K.1.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> Implement procedures to conduct reconciliations on a regular basis. <i>[Report #1204 Action Plan Step K.2.]</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> Reprinted invoices will be clearly marked as a second request. <i>[Report #1204 Action Plan Step</i> 	<ul style="list-style-type: none"> ✓ Completed in a prior period.

<p>K.3.]</p>	
<ul style="list-style-type: none"> Year-end outstanding receivables will be submitted to DMA A/R to be considered for inclusion in the City’s annual financial statements. [Report #1204 Action Plan Step K.4.] 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> Conduct periodic evaluations to measure the level of success of Risk Management’s collection efforts. [Report #1204 Action Plan Step K.5.] 	<p>✓ Completed in a prior period.</p>
<p>L. Revenue</p>	
<ul style="list-style-type: none"> 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. [Report #1204 Action Plan Step L.1.] 	<p>✓ Completed in a prior period.</p>
<p>M. Billing of Grants</p>	
<ul style="list-style-type: none"> DMA will develop and implement procedures related to grants management to provide guidance to departments on what is required related to the billing and reporting of grants to the City. [Report #1204 Action Plan Step M.1.] 	<p>❖ In progress - Turned over to management to ensure completion and resolution. Accounting Services has initiated a grants administrative policy to address administration of grants awarded to the City. Once complete, Accounting Services plans to present the policy for appropriate approval to senior management, and subsequently educate and work with departments throughout the City to ensure the policy is properly implemented. The Accounting Services Manager stated plans are to complete this action step by the end of the FY 2015.</p> <p>(Note: In addition to a grants administrative policy, City management has considered establishing a grants management specialist position that would be responsible for centralized administration of federal and state grants awarded the City. However, as of the date of this audit, that position has not been established.)</p>
<p>N. Collection Activities of Select Non-Utility Accounts Receivables</p>	
<ul style="list-style-type: none"> 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. [Report #1204 Action Plan Step N.1.] 	<p>❖ In progress - Turned over to management to ensure completion and resolution. As noted in Action Step A.3 above, in the process of revising APP 609, consideration is being given by Accounting Services to include within the policy a section specifically addressing who is responsible for specific oversight and monitoring of collections. The Accounting Services Manager intends to consult with UBCS and the City Attorney’s Office to determine if this step should be addressed within APP 609 or if a separate policy should be created to document the different types of collections and the oversight and</p>

	monitoring process for each type. The Accounting Services Manager stated the intent is to complete this action step by the end of the FY 2015.
<ul style="list-style-type: none"> UBCS and DMA A/R will develop a bid solicitation for collections contractor services. [Report #1204 Action Plan Step N.2.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> UBCS and DMA A/R will establish a process to consistently track and follow up with the collection agency in order to know how much has been sent to the collection agency, how much has been collected by the collection agency, and the specific accounts that have not been collected by the collection agency. [Report #1204 Action Plan Step N.3.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> UBCS and DMA A/R will design and implement processes and reports to measure performance and evaluate the effectiveness of non-utility receivable collection efforts. [Report #1204 Action Plan Step N.4.] 	✓ Completed in a prior period.
O. Verification of the Amounts Billed by DMA A/R	
<ul style="list-style-type: none"> Information System Services (ISS) will monitor invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step O.1.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> TPD will monitor invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step O.2.] 	✓ Completed in a prior period.
<ul style="list-style-type: none"> Underground Utilities will monitor invoices to ensure correct amounts are being billed. [Report #1204 Action Plan Step O.3.] 	✓ Completed in a prior period.

Table Legend:

- Issue to be addressed from the original audit.

- ✓ Issue addressed and resolved.
- ❖ In progress - Turned over to management to ensure completion and resolution.

Conclusion

Table 1 above shows 45 (85%) of the 53 action plan steps have been completed as of May 31, 2015. As also shown in Table 1, responsibility for following up to ensure the remaining eight action plan steps are completed is turned over to City management. Those eight steps include:

- Modifying the accounts receivable policy (APP 609) to allow certain exemptions to the policy, as long as proper internal controls are in place for the affected areas/processes (DMA A/R).

- Implementing additional controls to monitor any write-off of accounts by the A/R supervisor, or establish controls that preclude such write-offs by that supervisor (DMA A/R).
- Completing the installation of a system upgrade (i.e., for a system used to process loans receivable) that will provide the capability to assign unique users IDs and passwords for each system user (DMA A/R).
- Establishing written performance measurement goals for the purpose of aiding management in measuring the accuracy and efficiency of accounts receivable activities (DMA A/R).

- Developing procedures for billing for reimbursement of certain grants expenses (*Fire Department*).
- Establishing an enhanced process and/or controls relating to payments for building inspection services/fees by walk-in customers (*Growth Management*).
- Developing and implementing procedures for grants management that provide guidance to City departments on billing and reporting of grants (*DMA*).
- Developing and implementing a collections policy that provides directives and guidance on staff responsibility for specific oversight and monitoring procedures (*DMA, UBCS, and City Attorney's Office*).

These eight remaining steps were initially due for completion no later than January 2013. While earlier delays were attributed to other reasons, the recent delay in completing these remaining action plan steps is attributable, at least in part, to a transition in management and staff within DMA Accounting Services over the last twelve months. During this transition period, the primary focus of management has been to maintain and sustain normal business operations while new managers and staff acclimate to their new roles and positions. During this current follow-up engagement, management indicated that staff plans to complete most of these remaining actions by the end of fiscal year (FY) 2015. Because of this stated intent and, also because 85% of all action plan steps have been previously completed, responsibility for following up to ensure the remaining eight action plan steps are completed is turned over to City management.

We appreciate the cooperation and assistance provided by City management and staff during this follow-up audit, particularly those in DMA Accounting Services, Fire, and Growth Management.

Appointed Official's Response

City Manager: I am pleased to see that the fifth and final follow-up on the Audit of Selected Departments Performing Accounts Receivable Functions indicates that 45 out of the 53 steps have been completed and action steps are ongoing to complete the 8 remaining steps. Additionally, I am extremely pleased that the overall scope of the audit indicated that there were adequate controls in place related to billing activities processed through DMA A/R. I would like to thank the City Auditor and all of the departments for their work and follow-up on this audit.

Copies of this final audit follow-up #1512 or audit report #1204 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/auditing-auditreports.aspx>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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