

Audit

Follow-Up

As of March 31, 2013



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Audit of Selected Departments Performing Accounts Receivable Functions

(Report #1204 issued February 15, 2012)

Report #1318

June 13, 2013

Summary

This is the third follow-up on the Audit of Selected Departments Performing Accounts Receivable Functions (Report #1204 issued February 15, 2012). As of March 31, 2013, 40 (75%) of the 53 action plan steps established to address issues identified in that audit have been completed. Thirty-six steps were completed in the previous follow-up periods, four actions plan steps were completed during this follow-up period, and actions are on-going to complete the 13 remaining steps.

In audit report #1204, we recommended departments conducting their own billings should start billing through Department of Management and Administration – Accounts Receivable (DMA A/R) in accordance with City Policy 609, “Accounts Receivable Non-Utility Funds,” or request an exception to the policy. Should any area request an exception to the policy, we recommended the department director, Accounting Services Manager, and executive management evaluate each area’s cost-benefit analysis and segregation of duties plan to determine whether an exception to Administrative Policy and Procedures #609 (APP 609) should be approved. All exceptions should 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, and follow the

City’s Revenue Collection Policy (APP 616) on past due receivables.

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

We commend Code Enforcement and the City Attorney’s Office, Housing, and Risk Management for completing all of their remaining action plan steps during this follow-up period. The steps completed by Code Enforcement and the City Attorney’s Office during this period included implementing a process to measure performance and evaluate the effectiveness of the collection efforts of Code Enforcement’s outstanding fines. The step completed by Housing during this period was implementation of a process to monitor invoices to ensure correct amounts are being billed. Risk Management’s action step completed this period was to work with DMA A/R to document an appropriate exception to APP 609.

Utility Business and Customer Service (UBCS) completed one of their four steps during this follow-up period. The completed step was development of a bid solicitation to implement a new collections contract.

We commend Building Services; Communications; Information System Services (ISS); Parks, Recreation and Neighborhood Affairs (PRNA); Police; Property Management; Public Works; and Underground Utilities for completing all of their action plan items during the previous follow-up period.

Four departments and offices have made progress, but have not completed all their respective action plan steps. DMA A/R has seven steps remaining, Fire has one step remaining, Growth Management has two steps remaining, and UBCS has three steps remaining.

During our prior follow-up engagement, the completion of DMA A/R's remaining seven steps was deferred until June 30, 2013. Those steps include:

- 1) Provide access for all departments and offices to BusinessWorks or an electronic copy of the monthly BusinessWorks reports.
- 2) Modify the A/R policy to allow for certain exemptions to the policy, as long as proper internal controls are in place.
- 3) Implement additional controls to monitor write offs made by the A/R Supervisor.
- 4) Upgrade the Nortridge system (used by DMA to monitor outstanding loans).
- 5) Conduct top level reviews of A/R activities.
- 6) Establish written performance measurement goals to aid DMA A/R management in measuring the accuracy and efficiency of the accounts receivable activities.
- 7) Develop and implement procedures related to grants management.

Fire's remaining action step is to develop procedures for grant expense billings. This step is dependent upon DMA's development of a new citywide grants management procedure. Upon development of the citywide procedure, Fire will develop an internal procedure to conform to the City requirements.

Growth Management's two remaining action steps are:

- 1) 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 DMA A/R for collections activity.

- 2) 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.

Growth Management amended the completion date of those two remaining steps to December 31, 2013, and September 30, 2013, respectively.

UBCS manages the collection activities for select non-utility receivables not paid when invoiced through DMA A/R. UBCS is working with DMA and the City Attorney's office to complete their action steps, and have amended the completion date of the following three steps to September 30, 2013.

- 1) Develop and implement a collections policy that will provide directives and guidance regarding who is responsible for conducting specific oversight and monitoring procedures.
- 2) 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.
- 3) Design and implement processes and reports to measure performance and evaluate the effectiveness of the collection efforts of outstanding non-utility receivables.

We appreciate the cooperation and assistance provided by all City management and staff during this follow-up audit. Departments and offices providing direct assistance during this follow-up audit include Code Enforcement, Housing, Risk Management, and UBCS.

Scope, Objectives, and Methodology

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

Original Report #1204

The scope of report #1204 was to audit the internal controls related to the City's non-utility accounts receivables. The 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.

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

Report #1318

This is our third follow-up on action plan steps identified in audit report #1204. The purpose of this follow-up is to report on the progress and status of efforts to complete the 14 action plan steps remaining as of March 31, 2013. To determine the status of the action plan steps, we

interviewed staff and reviewed relevant documentation.

Background

The City has established an Accounts Receivable Section housed in DMA. Through APP 609, DMA A/R staff has been delegated the direct responsibility for invoicing and recording non-utility funds 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.

In report #1204 we concluded that, overall, there were adequate internal controls in place related to billing activities processed through DMA A/R. 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 conducted some, but not all of their respective billings through DMA A/R. Our review of the billing activities conducted by DMA A/R and those 11 departments and offices disclosed billings were not always conducted through DMA A/R, as required by City policy and good business practices. Also, proper and adequate internal controls were not always established, such as proper segregation of duties and

monitoring and reconciliation of accounts receivable records.

Regarding non-utility 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 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 improvements in the collections 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 is required, or how performance should be measured.
- The performance of select non-utility collections by 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 City authorization.
- City program revenues and payments made to Stiles had not been properly accounted for or budgeted since 2004.
- City prepared 1099 forms reported incorrect payment amounts to the Internal Revenue Service (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 grant activities were reported to Accounting Services to be considered for inclusion in the City's annual budget and year-end financial statements.

The audit report provided descriptions of each area's billing activities, and outlined the internal controls that should be in place, results of our review identifying controls that were or were not in place, and recommendations to ensure proper controls related to billing activities were in place. Such controls related to compliance, segregation of incompatible duties, monitoring and reconciliation of A/R, security of assets and records, properly designed records, timely preparation of financial reports in conformity with generally accepted accounting principles, execution of transactions, information and communication, and performance measures.

Previous Conditions and Current Status

In report #1204, we provided recommendations to City management regarding areas that need to be addressed in the DMA A/R and other departments and offices related to City billings and grants management. Management's Action Plan consisted of 53 action plan steps, with all initially being due for completion before or by March 31, 2013. Thirty-six steps were completed in the previous follow-up periods. As shown in Table 1 below, four steps were completed during this follow-up period. Completion of the remaining 13 action plan steps has been deferred as explained in Table 1.

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

Action Plan Steps Due as of March 31, 2013	Current Status
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. 	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R is working with the different City departments to either grant access to BusinessWorks, or provide copies of reports from BusinessWorks. We will review the status of this step in a subsequent follow-up engagement.
<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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R is in the process of allowing for certain exemptions to the policy, but has not yet determined how to incorporate this into the existing policy. We will review the status of this step in a subsequent follow-up engagement.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R had developed a process to monitor write-offs quarterly, but the process has not been implemented to date. We will review the status of this step in a subsequent follow-up engagement.
<ul style="list-style-type: none"> Individual user IDs and passwords will be assigned for each person who has systems administrator access. 	<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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R is in the process of upgrading the Nortridge system, but the upgrade has not been completed. We will review the status of this step in a subsequent follow-up engagement.

<ul style="list-style-type: none"> DMA A/R will identify ways to utilize the functionality of BusinessWorks to improve reporting capabilities. 	<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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R has developed the steps to use in conducting top level reviews quarterly, but they have not yet conducted the quarterly review. We will review the status of this step in a subsequent follow-up engagement.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to June 30, 2013. As previously reported, DMA A/R is developing written performance measurement goals, but has not finalized or implemented those goals. We will review the status of this step in a subsequent follow-up engagement.
<p>Building Services</p>	
<ul style="list-style-type: none"> Issue all billings and invoices through DMA A/R. 	<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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<p>Communications</p>	
<ul style="list-style-type: none"> Issue all billings and invoices through DMA A/R. 	<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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<p>Code Enforcement and City Attorney’s Office</p>	
<ul style="list-style-type: none"> Request and document an exception to APP 609, and implement all appropriate internal controls. 	<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. 	<ul style="list-style-type: none"> ✓ 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 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. 	<ul style="list-style-type: none"> ✓ 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 7 years' 1099 documentation including the payments of penalties and interest, if any, by the City. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> Close the City's jointly owned bank account with Stiles. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> Have all collection proceeds deposited into the City's bank account. 	<ul style="list-style-type: none"> ✓ 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 of Code Enforcement's outstanding fines. 	<ul style="list-style-type: none"> ✓ Completed. Code Enforcement is measuring performance and evaluating the effectiveness of the collection efforts of outstanding fines. Additionally, Code Enforcement reported they will periodically share the performance measurement statistics with the Code Enforcement Board and the City Commission. The first set of statistics will be shared in June 2013.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<p>Fire</p>	
<ul style="list-style-type: none"> Issue after-hour inspections through Growth Management. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<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 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.) 	<ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ❖ In progress. As reported in a previous follow up (report #1306), completion of this action plan step has been deferred to June 2014. As

<p>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 to it.</p>	<p>previously reported, DMA Accounting Services is working to provide guidance for departments on what is required related to processing billing and reporting of grants received by the City. When these procedures are complete, Fire is planning to follow those procedures for their billings of grants. We will review the status of this step in a subsequent follow-up engagement.</p>
<p>Housing</p>	
<ul style="list-style-type: none"> • Issue all billings and invoices through DMA A/R. 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed. 	<p>✓ Completed. Housing is monitoring the invoices sent out to ensure the correct amounts are being billed by having the Coordinator of Special Projects review and sign off on the payment notices prior to them being sent out.</p>
<p>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. 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed. 	<p>✓ Completed in a prior period.</p>
<p>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. 	<p>✓ Completed in a prior period.</p>
<p>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. 	<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 collections activity. Growth Management staff will utilize the BusinessWorks application to 	<p>❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to December 31, 2013. As previously reported, to better serve City customers, Growth Management is planning to bring the billings process back into their office, along with implementing additional internal</p>

<p>monitor the collection activities of the Accounts Receivable Section and then post payments into Permits Plus. There were 8 instances of such activity for the FY2010 period for Building Inspection. There were 262 Storm Water Operating Permits (SWOP) for the FY2010 period for Land Use and Environmental Services that fall into this category and 1 non-SWOP activity. There were no instances of invoice activity for the Administration Division for the FY2010 period.</p>	<p>controls to better protect collected monies. Such controls will include utilizing a new computer system for billing invoices and enhancing their tracking and monitoring of outstanding receivables. Growth Management will request an exception to APP 609 and their internal control procedures will be evaluated during the review of this exception request. Until the new processes are fully implemented, Growth Management will implement interim processes. Our Office will review such processes to assist Growth Management assess risks and recommend compensating controls as necessary. We will review the status of this step in a subsequent follow-up engagement.</p>
<ul style="list-style-type: none"> • Monitor the invoices billed through DMA A/R to ensure correct amounts are being billed. [Note: this action plan item was revised to better reflect the monitoring of billings.] 	<p>✓ Completed in a prior period. [Note: this step was completed when Growth Management was using DMA A/R for billings. As noted in the action item above, Growth Management is now planning to bring the billings process back into their office.]</p>
<ul style="list-style-type: none"> • 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. 	<p>❖ In progress. As reported in a previous follow-up (report #1306), completion of this action plan step has been deferred to September 30, 2013. As previously reported, Growth Management has recently hired a new building official, and he is currently working with the new Revenue Administrator to establish payment procedures for permitting activities. We will review the status of this step in a subsequent follow-up engagement.</p>
<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 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.) 	<p>✓ Completed in a prior period.</p>
<p>Public Works – Capital Projects</p>	
<ul style="list-style-type: none"> • Issue all billings and invoices through DMA A/R. 	<p>✓ Completed in a prior period.</p>
<ul style="list-style-type: none"> • Monitor the invoices to ensure correct amounts are being billed (including Operations and Traffic). 	<p>✓ Completed in a prior period.</p>

Risk Management	
<ul style="list-style-type: none"> • Work with DMA A/R to document an exception to APP 609. 	<ul style="list-style-type: none"> ✓ Completed. Risk Management has requested and received an exception to APP 609.
<ul style="list-style-type: none"> • Implement procedures to conduct reconciliations on a regular basis. 	<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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> • Conduct periodic evaluations to measure the level of success of Risk Management’s collection efforts. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
Revenue	
<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. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
Billing of Grants	
<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 processing billing and reporting of grants received by the City. 	<ul style="list-style-type: none"> ❖ In progress. As previously reported, DMA A/R is in the process of developing procedures for billings of grants, but has not finalized the process. During this follow-up period, DMA requested completion of this action plan step be deferred to June 30, 2014. This will allow staff time to evaluate available alternatives (resources and software programs) to aid in the overall grants management process. We will review the status of this step in a subsequent follow-up engagement.
Collection Activities of Select Non-Utility Accounts Receivables	
<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. 	<ul style="list-style-type: none"> ❖ In Progress. City staff anticipates implementing the new collection policy by September 30, 2013. We will review the status of this step in a subsequent follow-up engagement.
<ul style="list-style-type: none"> • UBCS and DMA A/R will develop a bid solicitation to implement a new collections contract. 	<ul style="list-style-type: none"> ✓ Completed. City staff received approval from the City Commission in May 2013 to award the new collections contract.
<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 collections, and how much has 	<ul style="list-style-type: none"> ❖ In progress. City staff anticipates including in the new collections contract specific reports to allow DMA A/R to track the status of what has been sent to collections, and the success rate of

<p>been received in these collections efforts, as well as the specific accounts that have not been collected.</p>	<p>the collection efforts. The amended completion date is September 30, 2013. We will review the status of this step in a subsequent follow-up engagement.</p>
<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 the collection efforts of outstanding non-utility receivables. 	<ul style="list-style-type: none"> ❖ In progress. City staff anticipates including performance measures in the new collections contract. The amended completion date is September 30, 2013. We will review the status of this step in a subsequent follow-up engagement.
<p>Departments not Verifying the amount billed by DMA A/R</p>	
<ul style="list-style-type: none"> • Information System Services (ISS) will monitor the invoices to ensure correct amounts are being billed. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> • Police will monitor the invoices to ensure correct amounts are being billed. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.
<ul style="list-style-type: none"> • Underground Utilities will monitor the invoices to ensure correct amounts are being billed. 	<ul style="list-style-type: none"> ✓ Completed in a prior period.

Table Legend:

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

Conclusion

Table 1 above shows 40 (75%) of the 53 action plan steps have been completed as of March 31, 2013. As also shown in Table 1, 36 steps were completed in the previous follow-up periods, four actions plan steps were completed during this follow-up period, and actions are on-going to complete the 13 remaining steps. The completion dates for the items in progress have been amended.

We appreciate the cooperation and assistance provided by all City management and staff during this follow-up audit. Departments and offices providing direct assistance during this follow-up included Code Enforcement, Housing, Risk Management, and UBCS.

Appointed Officials' Response

City Manager: I am pleased to see that the third follow-up on the Audit of Selected Departments Performing Accounts Receivable Functions indicates that 40 out of the 53 steps have been completed and actions are on-going to complete the 13 remaining steps. Additionally, I am extremely pleased that the overall scope of the audit indicated that accounts receivable and related transactions were reasonably accounted for and recorded timely. I am convinced that the audit findings and the recommended improvements will ensure that our internal controls and City policies are continued to be strictly adhered to in the future. I would like to commend the Auditor's Office as well as all of the departments for their outstanding work on this audit.

City Attorney: The accounts receivable audit was conducted in a very thorough, professional manner. On behalf of everyone involved in the City Attorney's Office, we appreciate the time the audit staff spent with each department to educate management and staff on the findings and to work with those involved in finding effective solutions to correcting affected areas.

City Treasurer-Clerk: We appreciate the efforts of the City Auditor in the audit of the City's Accounts Receivable functions and agree with the emphasis that proper controls be in place and operational throughout the City. In this follow-up phase, we are pleased that we have been able to take the necessary steps to satisfy the last of the action items associated with Risk Management. We also appreciate the cooperation of other City departments in our completion of this and previous steps.

Copies of this audit follow-up #1318 or audit report #1204 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) 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).

Audit follow-up conducted by:
 Patrick A. Cowen, Senior Auditor
 Beth Breier, CPA, CISA, Audit Manager
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