



MOSSADAMS

REPORT

FOR

CITY OF SANTA MONICA

Billing and Accounts Receivable Review

February 8, 2018

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I. SUMMARY

SCOPE AND METHODOLOGY

To provide the City with additional assistance related to the billing and accounts receivable opportunities for improvement identified during Moss Adams’ Internal Controls Review. In particular, we will focus on opportunities to improve controls related to timeliness of invoices, completeness of billing, and collection of AR. In some instances, elements of revenue collection are also addressed as they relate to billing and collections.

To conduct our review, we performed the following steps:

- Compiled a list of fees, fines, charges for services, and taxes based on the City’s current adopted schedule with additions based on input from Revenue Division staff.
- Performed a preliminary survey to determine the number of different methods through which fees, fines, or charges for services are applied.
- Conducted a comprehensive survey to understand the different manners through which fees, fines, and charges for services are applied.
- Gathered information for an inventory of systems used for billing and AR and determined their key controls.
- Conducted interviews and walkthroughs with selected individuals.

RESULTS

The following table shows a summary of the billing systems inventory:

SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
Accela	<ul style="list-style-type: none"> • City Clerk • Fire – Fire Prevention • Planning and Community Development – Building and Safety • Code Enforcement • Planning Division • Parking Operations • Public Works – RRR • Civil Engineering • Water • OSE • Street Services • Public Landscape 	\$14,195,876
ActiveNet	<ul style="list-style-type: none"> • Community and Cultural Services 	\$3,596,298
ActiveNet POS	<ul style="list-style-type: none"> • Planning and Community Development – Parking Operations • Police – Records 	\$1,615,032



SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
ANOMS	<ul style="list-style-type: none"> Public Works – Airport 	\$50,321
Chameleon	<ul style="list-style-type: none"> Police – Animal Control 	\$224,043
Chevin FleetWave, EJWard FuelView, and Excel	<ul style="list-style-type: none"> Public Works – Fleet Maintenance¹ 	\$11,382,492
False Alarm and Registration Billing System	<ul style="list-style-type: none"> Police – Records 	\$326,881
FinancialForce Accounting Engine	<ul style="list-style-type: none"> Information Systems 	\$1,924,776
Hansen 8 Work Order System	<ul style="list-style-type: none"> Public Works – Water 	\$8,007
HAPPY and LOCCS²	<ul style="list-style-type: none"> Housing and Economic Development Department 	\$2,702,747
HDL Prime	<ul style="list-style-type: none"> Finance – Revenue Division Public Works – Water 	\$34,065,405
IPS DMS	<ul style="list-style-type: none"> Planning and Community Development – Parking Operations 	\$15,600,000
MACCS	<ul style="list-style-type: none"> Public Works – Cemetery 	\$1,648,496
NorthStar	<ul style="list-style-type: none"> Public Works – RRR Water Fire 	\$67,168,418
Polaris	<ul style="list-style-type: none"> Library 	\$313,446
QuickBooks	<ul style="list-style-type: none"> Finance - Revenue City Manager - CityTV Housing and Economic Development – Farmer's Market³ Big Blue Bus- Transit Finance and Administrative Services⁴ 	\$62,634,698
YARDI Voyager	<ul style="list-style-type: none"> Public Works – Airport Housing and Economic Development – Administration 	\$23,975,282
Manual Process	<ul style="list-style-type: none"> Community and Cultural Services: Excel Planning and Community Development – Mobility and Traffic Management: No System Planning and Community Development – Parking Operations: Microsoft Access Public Works RRR: No System 	\$2,968,698

¹ All billings from Fleet Maintenance are directed to internal City departments.

² Systems dictated by the granting agency.

³ Departments and divisions that use QuickBooks do not use the same version or have access to the same information.

⁴ Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



SYSTEM	DEPARTMENT(S)/ DIVISION(S)	ANNUAL DOLLARS ASSOCIATED (FY 16-17)
Third Party	<ul style="list-style-type: none"> • Public Works – Airport Vector Systems • Planning and Community Development – Parking Operations: SP Plus • Public Works – Civil Engineering: Film LA • Fire: AmeriCare • Police: Conduent 	\$54,815,144

The following table provides a summary of the observations related to key controls and the relevant systems:

KEY CONTROL	OBSERVATION NO.
System	1, 2
User Access	3, 4
Fee Schedule	5, 6, 7
Fee Adjustment	8
Void, Delete, Credit, and Adjust Overdue Balances	3, 4
Monitoring Billing	9, 10
Monitoring AR and Other Activities	11
Written Guidance	12, 13
System Administration	14
Audit Trail	15



II. SCOPE AND METHODOLOGY

OBJECTIVE

To provide the City with additional assistance related to billing and accounts receivable opportunities for improvement identified during Moss Adams' Internal Controls Review. In particular, we will focus on opportunities to improve controls related to timeliness of invoices, completeness of billing, and collection of AR.

METHODOLOGY

- We conducted a preliminary survey to determine the number of different methods through which fees, fines, or charges for services are applied.
- We conducted a comprehensive survey to understand the different manners through which fees, fines, and charges for services are applied.
- We collected the following information for an inventory of systems used for billing and AR:
 - Department
 - Division
 - Charges for services and fees
 - Fines and penalties
 - Billing system
 - Key individuals involved in billing
 - Summary of the billing process
 - Key individuals involved in Accounts Receivables
 - Summary of the Accounts Receivables process
- We collected information about the following key controls:
 - Billing reconciliation process (completeness, timeliness)
 - System user access
 - Fee schedule
 - Fee adjustment
 - Void
 - Credit
 - Refund
 - Delete transactions and/or bills transactions
 - Bills
 - Audit trail
 - Monitoring billing
 - Monitoring other activities
 - Monitoring AR
- We conducted interviews and walkthroughs with selected individuals including the following:



- Finance Department – Financial Operations
 - Accounting Manager
 - Accountant II
 - Accounts Payable Supervisor
- Finance Department – Revenue Division
 - Business License Administrator
 - Billing and Collections Administrator
 - Billing and Collections Supervisor
 - Billing Specialists (3)
- Planning and Community Department – Building and Safety Division
 - Revenue Operations Assistant
 - Lead Assistant Analyst
 - Permit Services Administrator
- PCD – Parking Operations Division
 - Traffic and Parking Manager
 - Parking Administrator
 - Principal Admin Analyst
- Public Works – RRR Division
 - Business Supervisor
- Community and Cultural Services
 - Community Recreation Specialist



III. BILLING SYSTEM INVENTORY

To strengthen controls related to billing and accounts throughout the City, we compiled a list of the various systems or methods used for recording revenue as well as the associated annual revenue.

DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
System: Accela		
City Clerk	<ul style="list-style-type: none"> • Domestic partner • Document certification • Flash drive copy • Passport execution • Passport photo • Passport overnight postage • Public Records Act copies • City Charter copy • Lobbyist (registration, renewal, and amendment) • Election filing • Financial disclosure statements • Election precinct maps • Late Fees • Penalties 	\$64,439
Fire – Fire Prevention	<ul style="list-style-type: none"> • Plan review • Fire sprinklers – NFPA • Private hydrant system • Fire pump installation and spec high pile storage & sprinkler system combination • Fire alarms • Annual fees • Tents and canopies • Miscellaneous services • Reinspections • False alarm 	\$1,475,364
Planning and Community Development – Building and Safety	<ul style="list-style-type: none"> • Architectural and structural plan review • Mechanical plan review • Electrical plan review • Plumbing plan review • Miscellaneous plan check • Inspection • Reinspection • Miscellaneous Fees 	\$7,081,943

⁵ The annual dollar amount associated with each fee type was self-reported by most divisions using the financial management system. In some cases, dollar amounts were provided using the respective departments' and divisions' billing systems.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Planning and Community Development – Code Enforcement	<ul style="list-style-type: none"> • Noise ordinance – after hours permit • Residential Bldg. Report – code compliance review • Late fees, fines, penalties • Other: enforcement cost recovery 	\$148,000
Planning and Community Development – Planning Division	<ul style="list-style-type: none"> • Administrative approval • Alcohol exemption, appeals • Architectural review board • Certificate of compliance • Certificate of economic hardship • Coastal approval in concept • Conditional use permit • Deed restriction • Demolition permits • Development agreement • Development review permit • Fence modification • Subdivision map • General plan amendment • Designation • Lot line adjustment • Modification • Minor use permit • Occupancy permit • Permit extension – administrative • Pre-submittal • Shared parking permit 	\$1,113,747
Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> • On-street parking meter rentals – citywide 	\$600,000
Public Works – RRR	<ul style="list-style-type: none"> • Construction and demolition waste management plan • Construction and demo permit • Solid waste enclosure plan check • Construction and demolition 	\$359,859



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Public Works – Civil Engineering	<ul style="list-style-type: none"> • Crane permit • Final map • Landscape and irrigation plan check • Site drainage • Lot line adjustment • Certificate of compliance • Miscellaneous reviews • Right of way research/inquiries • Street improvement inspections • Outdoor dining inspection • Permit renewal • Plan check review • Review of legal easements • Tentative map • Tiebacks • Urban runoff mitigation plan • Use of public property permit • Utility excavation permit • Wireless facility permit • Blanket utility permit • Newsrack permit 	\$730,245
Public Works – Water	<ul style="list-style-type: none"> • Water service install • Water meter downsize • Fire service install • Wastewater capital facility • Water Capital Facility • Storm dye test • Storm drain connect of existing box • Storm drain pipe installation/connection • Storm drain saddle installation • Sewer reinspection • Sewer saddle connection • Sewer lateral inspection • Sewer cap • Moved meter • Industrial waste discharge variance request • Fire hydrant relocation, installation, and flow test 	\$2,403,030
Public Works – OSE	<ul style="list-style-type: none"> • Landscape & irrigation on-site inspection fees • Urban runoff mitigation on-site inspection fees 	\$43,610



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Public Works – Street Services	<ul style="list-style-type: none">• Sidewalk removal• Driveway removal• Curb and gutter removal• Concrete alleys• Asphalt removal• Asphalt cement overlay• Parkway removal and hauling• Miscellaneous saw cuts• Tie-Ins to existing asphalt or concrete• Conduit-only repair or relocation• Pull box and conduit relocation• Provision of power – electrical for promenade special event	\$25,000
Public Works – Public Landscape	<ul style="list-style-type: none">• Preliminary review• Standard and complex plan check tree – removal, protection, and replacement• Miscellaneous review – plan checks, revisions, permit renewals, or excess plan checks• Construction inspection and monitoring work authorized near city trees• Verify existing tree conditions, administrative costs – urban forester	\$150,639
Total:		\$14,195,876



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
System: ActiveNet		
Community and Cultural Services	<ul style="list-style-type: none"> • Miles playhouse production • Civic auditorium rentals • Miles playhouse • Contract classes • Community gardens rentals • Rec-park building rental • Rent/prop – Kec • Memorial Park gym user • Softball leagues • Basketball leagues • Volleyball leagues • Airport park drop in program • Adult soccer league • Field concession and storage • Field permits • SAMOHI field rental • SAMOHI track rental • Commercial instr. use • Commercial instr. app. • Event administration • Event permit • Neighbor notification • Day use (pool, fitness room, rentals, classes, product sales) • 415 PCH parking 	\$3,596,298
Total:		\$3,596,298
System: ActiveNet POS		
Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> • Permits – Residential Parking Program (RPP) • Returned check 	\$1,300,000
Police – Records	<ul style="list-style-type: none"> • 30-day vehicle impound • Audiotape copy • Boot removal • Crime analysis/research • Fingerprinting • Photos • Record • Vehicle impound and release • Videotape copy 	\$315,032
Total:		\$1,615,032



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
System: ANOMS		
Public Works – Airport	<ul style="list-style-type: none"> Noise abatement violation Late fees Fines 	\$50,321
Total:		\$50,321
System: Chameleon		
Police – Animal Control	<ul style="list-style-type: none"> Adoptions Dog license Boarding Impound Airport park permit Owner surrender Trap rental Late fines Penalties 	\$224,043
Total:		\$224,043
System: Chevin FleetWave, EJWard FuelView, and Excel		
Public Works – Fleet Maintenance ⁶	<ul style="list-style-type: none"> Proceeds Future replacements Fuel dept. usage – CNG and regular fuel Fuel station replacement – city yards and beach Other revenue – miscellaneous Vehicle maintenance Enhancement purchases 	\$11,382,492
Total:		\$11,382,492
System: False Alarm and Registration Billing (FAB)		
Police – Records	<ul style="list-style-type: none"> Alarm registration fee 	\$326,881
Total:		\$326,881
System: FinancialForce Accounting Engine		
Information Systems	<ul style="list-style-type: none"> CityNet fiber optic – lit fiber Dark fiber and digital inclusion 	\$1,924,776
Total:		\$1,924,776
System: Hansen 8 Work Order System		
Public Works – Water	<ul style="list-style-type: none"> Damaged water meter repair Emergency sewage spill response 	\$8,007

⁶ All billings from Fleet Maintenance are directed to internal City departments.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Total:		\$8,007
System: HAPPY and LOCCS⁷		
Housing and Economic Development Department	<ul style="list-style-type: none"> Reimbursement of rental assistance and administrative expenses from HUD for the continuum of care grant 	\$2,702,747
Total:		\$2,702,747
System: HDL Prime		
Finance – Revenue Division	<ul style="list-style-type: none"> Downtown assessment and penalty Auto park permit Business license tax Business license and penalty Central Business District assessment Duplicate license and return check processing Fingerprinting Industrial wastewater permit application Main Street assessment and penalty Montana Ave. assessment and penalty Pawnbroker permit Second-hand dealer permit Police permit Pedicab driver permit Operator and vehicle permit Performer permit Itinerant vendor and tobacco retail permit Pico Blvd. assessment and penalty Processing Zoning review – commercial and residential 	\$33,608,529
Public Works – Water	<ul style="list-style-type: none"> Industrial wastewater permit 	\$456,876
Total:		\$34,065,405
System: IPS DMS		
Planning and Community Development – Parking Operations ⁸	<ul style="list-style-type: none"> On-street parking meters (citywide) 	\$15,600,000
Total:		\$15,600,000

⁷ Systems dictated by granting agency. While the revenue activities performed in these systems is specifically related to grants administration, rather than the billing and collection of fees for service, these systems were included in this review in order to provide high level review of the controls in existence related to these systems and process.

⁸ We recognize that on-street parking meters are not associated with any billing or AR activities. However, this system was included in our review to present a more holistic view of the revenue collection activities performed in the Parking Operations Division. Revenue from parking meters is collected by the Finance Department on behalf of Parking Operations.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
System: MACCS		
Public Works – Cemetery	<ul style="list-style-type: none"> • Mortuary services • Cemetery lot sales • Mausoleum sales • Cemetery miscellaneous • Casket sales • Vault sales • Green Cemetery lot sales • Green Mortuary services • Green Cemetery miscellaneous 	\$1,648,496
Total:		\$1,648,496
System: NorthStar		
Public Works – RRR	<ul style="list-style-type: none"> • Additional pick-up service • Container rental • Curby rental • Event rental/party truck • Kitchen food scrap pail sales • Pressure washing services • Residential Clean-A-Can program • Sale of composting bins • Refuse bins – storage • Recycle lease rental • Garbage/refuse collection • Special pick-ups • State highway cleaning • Other revenue – miscellaneous • Sale of composting bins • Sale of refuse bags • Household hazardous waste • Private hauler annual permit • Private hauler per ton payment • Transfer station – City departments • State recycling program 	\$25,715,308
Public Works – Water	<ul style="list-style-type: none"> • Water meter test • Delinquent water bills tags • Water inspection not identified elsewhere • Temp water service • Same day emergency turn-off • Reestablish delinquent account 	\$40,231,222



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Fire	<ul style="list-style-type: none"> • CUPA administration • Fire commercial and residential inspection • CRTK hazmat inspection • Medical/lab gas • Underground tank permits • Above ground tank program • Late fees 	\$1,221,888
Total:		\$67,168,418
System: Polaris		
Library	<ul style="list-style-type: none"> • Overdue fines • Damaged and lost material processing • Inter-library request • Lost card replacement • Computer session (non-members) • Copy/print • Room rental 	\$313,446
Total:		\$313,446
System: QuickBooks		
Finance -- Revenue	<ul style="list-style-type: none"> • Other revenue – miscellaneous • Swim Center SMC reimbursement • Swim Center – permit groups • Police billable services • Fire false alarm 	1,294,295
City Manager-- CityTV	<ul style="list-style-type: none"> • City staffing • Production personnel • Rental/equipment use • DVD copies 	\$28,426
Housing and Economic Development – Farmer’s Market ⁹	<ul style="list-style-type: none"> • Percentage of sales for agricultural products and flat fee for prepared and packaged food vendors • Legislative fee for each day of participation 	\$909,391

⁹ Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Big Blue Bus -- Transit Finance and Administrative Services ¹⁰	<ul style="list-style-type: none"> • TDA capital grant • Prop C capital grant • MOSIP capital grant • TDA sales tax operating subsidies • Prop A Disc operating subsidies • Prop C Ops transit security • Prop C BSIP • Prop C Foothill transit mitigation • Measure R operating subsidy • STA sales tax op. • Measure M operating subsidies • Passenger – fare media sales • Passenger – other for various transit programs such as: <ul style="list-style-type: none"> ○ Playa Vista ○ UCLA ○ SMC ○ Access Services (ASI) ○ St. John's • EZ Pass • Rider relief reimbursement from Metro • Future billing – Blue to Business • Advertising • Outside advertising • Bus stop relocation • Community-based charter • Transit store merchandise 	\$60,402,586
Total:		\$62,634,698
System: YARDI Voyager		
Public Works – Airport	<ul style="list-style-type: none"> • Rental and license • Pass-through for utilities • Minimal parking 	\$10,570,611

¹⁰ Departments and divisions that use QuickBooks do not use the same version or have access to the same information.



DEPARTMENT/DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ⁵
Housing and Economic Development – Administration	<ul style="list-style-type: none"> • Vendor (carts) rent • Pier leases • Common area maintenance • Bayside district rent • Bayside outdoor dining/sidewalk and Ocean Ave. outdoor dining • Transit Mall outdoor dining • Lease rental • Library Café rental • Bergamot property • Water fund • 1630 17th Street sublease • Beach properties • Beach – Encroachments 	\$13,404,671
Total:		\$23,975,282

SYSTEM	DEPARTMENT/ DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ¹¹
Manual			
Excel ¹²	Community and Cultural Services	<ul style="list-style-type: none"> • 415 PCH concessions 	\$380,189
Excel ¹³	Community and Cultural Services	<ul style="list-style-type: none"> • Filming • Filming – parking • Private events 	\$746,653
No System ¹⁴	Planning and Community Development – Mobility and Traffic Management	<ul style="list-style-type: none"> • Workplace transportation plan • Employee trip reduction plan or mobile source emissions reduction credit plan • Late fees 	\$441,085
Microsoft Access ¹⁵	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> • Activations • Film LA base camp • Event parking • Bulk parking purchases 	\$1,150,902

¹¹ The annual dollar amount associated with each fee type was self-reported by most divisions using the financial management system. In some cases, dollar amounts were provided using the respective departments' and divisions' billing systems.

¹² Revenue is paid based on concessionaires' revenue

¹³ All private event invoices and most film and film -related parking invoices are forwarded to FilmLA by sending an invoice generated in Excel and converted to PDF. Last minute bookings for film are invoiced through ActiveNet.

¹⁴ Employers receive notices to comply by submitting their annual plans and the appropriate per employee fee by mail. The current per employee fee is listed in the plan forms. No bill is issued.

¹⁵ Manual invoices are generated through the database and payments are made through the ActiveNet POS system



SYSTEM	DEPARTMENT/ DIVISION	FEES/REVENUE	ANNUAL DOLLARS ASSOCIATED (FY 16-17) ¹¹
No System ¹⁶	PW RRR	<ul style="list-style-type: none"> Private hauler annual permit Private hauler per ton payment Private refuse hauler permit 	\$249,869
Total:			\$2,968,698
Third-Party			
Vector Systems	Public Works – Airport	<ul style="list-style-type: none"> Landing Late fees 	\$1,308,531
SP Plus: CARS and HUB (Datapark)	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> Permits – downtown monthly parking 	\$2,600,000
SP Plus: HUB (Datapark), T2, Hi-Tech POS System, Transfirst, and Orbital with Chase PaymenTech	Planning and Community Development – Parking Operations	<ul style="list-style-type: none"> Transient parking Parking structures Parking lots Parking garages Main street lots Mid City lots Beach lots, Annenberg, and pier 	\$35,300,000
Film LA ¹⁷	Public Works – Civil Engineering	<ul style="list-style-type: none"> Filming permits 	\$325,099
AmeriCare: RescueNET	Fire	<ul style="list-style-type: none"> Code 2 Code 3 BLS ALS assessment Pulse oximeter 	\$873,619
Conduent: eTIMS ¹⁸	Police	<ul style="list-style-type: none"> Parking citations penalties Residential parking permit 	\$14,407,895
Total:			\$54,815,144

¹⁶ Haulers receive letters with fee schedule and renewal requirements at the beginning of each fiscal year. It is up to the hauler to participate in this program and become a permitted hauler with the City. The per ton fee is also self-reported by haulers

¹⁷ Proprietary software of the contracted consultant—Film LA—provides a monthly check with an accounting breakdown of all the revenue collected on our behalf.

¹⁸ City has limited access rights to the eTIMS system. Most approvals by the City are done outside the system and carried out by Conduent.



IV. DETAILED OBSERVATIONS AND RECOMMENDATIONS

NO.	OBSERVATION	RECOMMENDATION
Key Control: System		
1	<p>Some billing activities are performed manually outside of any billing software systems.</p> <p>Approximately \$2.9 million is billed through manual processes each year. For example, manual invoices are generated in Excel spreadsheets for private events and concessionaires. Similarly, invoices are created manually for certain mobility fees based on per employee counts. Billings that are supposed to be collected through manual processes are more susceptible to error and fraud.</p>	<p>Shift all manual billing activities to billing software systems.</p> <p>The Revenue Division should work with departments and divisions to implement billing software. For any billing activities that cannot be easily shifted to billing software, the Revenue Division should work with the relevant departments and divisions to implement additional mitigating controls. For example, all manually generated invoices should be reviewed and approved by a secondary individual prior to distribution. Also, supervisors should review manually generated invoices more frequently, such as weekly or monthly, to ensure completeness and accuracy.</p>
2	<p>The City uses standalone billing systems that require manual entries into the City's financial management system.</p> <p>The City does not utilize the billing module within its current financial management system, JDEdwards. While the City is in the process of implementing a new ERP system, the City does not plan to have decentralized departments utilize the system for billing and AR activities. Instead, the City will continue to use a variety of standalone billing systems that do not interface with City's financial system. While systems that do not interface with the City's financial system are not inherently problematic, it is critical that mitigating controls be in place—such as reviews of all manually transferred information and periodic reconciliations.</p> <p>However, we found shortcomings in the controls related between the billing systems and the City's financial system. For example, the Accela system, which is used for the billing of more than \$14 million a year, is not reconciled to the City's financial system nor are all manual entries into JDEdwards reviewed. We found that Accela daily cash reports are compared by a secondary individual with the cash for deposit. While this review ensures that all revenue recorded in Accela is deposited, the manual entries into the City's financial system are not reviewed by the initiating department to ensure that entries into the general ledger accounts are accurate and complete. We found that this kind of review is missing for information transferred from other systems such as ActiveNet, QuickBooks, and YARDI Voyager.</p>	<p>Improve controls related to the manual entry of information into the City's financial system.</p> <p>As part of the cash deposit preparation process, the City should require a secondary review of all JDEdwards entries by the originating departments. This review should be clearly described and incorporated into the City's policies and procedures.</p> <p>In addition to recording cash payments in JDEdwards, the City should consider how else activities can and should be reconciled across systems. For example, the City should establish a policy for the treatment of write-offs and tracking outstanding receivables.</p> <p>While Finance currently performs reconciliation activities for certain types of revenue, such as ambulance billing and parking meter receipts, Finance should work with departments to expand their reconciliation activities. For example, the Business License Division should continue its efforts to create a process to perform quarterly and annual reconciliations between HDL and the City's financial system.</p>



NO.	OBSERVATION	RECOMMENDATION
Key Control: User Access		
3	<p>Not all access levels are well-defined or appropriately assigned.</p> <p>The access levels in certain systems are not well-defined by position. For Accela, there is currently no matrix for access levels. Instead, the system administrator assigns access to users based on their own understanding of their role. This is only modified if a supervisor requests it. Similarly, ActiveNet does not have a formal matrix to guide the assignment of access.</p> <p>Upon review, we found that some systems have the ability to differentiate system access but it appears that access has not been assigned appropriately in all instances—such as ActiveNet. For example, we found that numerous staff members are able to adjust or override fees without the approval of a manager or supervisor. Similarly, we found that one billing specialist has the ability to perform most functions—including billing, adjustment, void and delete, and adjust overdue balances—within the NorthStar Utilities billing system.</p>	<p>Formalize the process for administering system access.</p> <p>The City should review the assignment of user access and establish access matrices to guide the assignment of access in each billing system. Access to adjusting fees, voiding transactions, deleting transactions, approving credits, and adjusting overdue balances should, ideally be limited to supervisors. In instances when duties cannot be segregated using system controls, mitigating controls, such as requiring secondary approval by a manager or supervisor, should be implemented.</p>
4	<p>Some systems do not differentiate levels of access.</p> <p>Some billing systems used within the City do not differentiate levels of user access. For example, QuickBooks does not have user access restrictions. All employees are able to adjust or override fees and void and adjust transactions without any mitigating controls. Moreover, although employees are supposed to request approval from the Billing & Collections Administrator for all credit memos, there are no system controls in place to restrict this ability. Although the Billing & Collections Administrator periodically monitors the QuickBooks audit log to determine approval and identify who has created any credit memos, periodic monitoring is not as effective as system controls through access assignments.</p> <p>Other systems also lack system access differentiation - such as the False Alarm and Registration Billing System (FAB), Chameleon, MACCS, YARD! Voyager, and Polaris—and mitigating controls to prevent errors and inappropriate actions.</p>	<p>Explore system capabilities to implement different levels of user access or implement mitigating monitoring controls.</p> <p>For systems without access restrictions, develop reports to identify fee adjustments, credits, voids, deletions and adjustments to overdue balances. These reports should be monitored regularly by managers and all unsupported activities should be investigated to ensure appropriateness.</p> <p>In the long term, after exploring the functionality of the new financial system's AR module, the City should consider phasing out systems that cannot lack user access differentiation.</p>
Key Control: Fee Schedule		
5	<p>Not all fees are approved by the City Council.</p> <p>While we found that the vast majority of City fees are approved by the City Council, we found certain fees that are not reviewed and approved by the City Council through resolution. In particular, we found that the ISD fees for fiber optic service are not reviewed and approved by City Council. Additionally, we found that the fees charged by the Fleet Division in Public Works are not reviewed and approved by the City Council. Instead, the Fleet Division has an hourly rate that is developed internally but does not receive additional review.</p>	<p>Consider including all fees in the City Council's fee review and approval process or implement an alternate process.</p> <p>The City Council should review and approve the ISD charges for service. If the City Council is not the appropriate entity for this review and approval process, the City should develop an alternate review and approval process for these fees.</p> <p>Additionally, the City should consider the review and approval process for its Fleet hourly rate—a fee only charged to internal departments and divisions. For example, the City could have the originating department head and the Finance Director review and approve the fee calculation.</p>



NO.	OBSERVATION	RECOMMENDATION
6	<p>Some fees may be outdated.</p> <p>Certain City fees and fines are specified within the City’s Municipal Code. However, it is more difficult to update the Municipal Code than change fees or fines through the City Council resolution process. As a result, fees within the Municipal Code may not be updated regularly. For example, a \$10 return check processing fee is specified within the City’s Municipal Code. This fee is out-of-date and does not reflect the true cost for processing returned checks.</p>	<p>Update the Municipal Code to refer to City Council-approved fee resolution.</p> <p>The City should consider moving all specific fee and fine amounts to the City Council’s approved fee resolution. Additionally, the City should consider revising its Municipal Code regarding returned check fees to deter to state law.</p>
7	<p>Not all fee schedules are programmed into billing systems.</p> <p>Systems that do not include programmed fee schedules increase the likelihood that fees will be not be assigned accurately or appropriately. Not only do manual processes lack programmed fee schedules, we found that some other systems lack fee schedules such as QuickBooks and ANOMS. We also found that certain divisions use YARDI Voyager without an established fee schedule.</p>	<p>Explore the possibility of programing fees into billing systems.</p> <p>If fee schedules cannot be programmed, the Revenue Division should work with departments and divisions to implement additional monitoring controls—such as reports that would help identify unusual fees. When considering new billing systems, the City should include programmed fee schedules as a required function.</p>
<p>Key Control: Fee Adjustment</p>		
8	<p>Not all fee adjustments are access-limited or monitored to ensure appropriateness.</p> <p>Access to fee adjustments is not adequately restricted in many systems used in the City nor are there mitigating controls in place. For example, in Accela, there is currently no report to show all fee adjustments performed. Additionally, before creating an invoice in Accela, individuals can change the quantity of the permit or upon which the fee is based. For example, prior to issuing an invoice, negative quantities could be entered and thereby cancel out fees. Similarly, within NorthStar, one employee in the Billing and Collections Unit is responsible for the majority of utility billing duties and system controls are not currently in place to prevent unauthorized adjustments. While the employee is supposed to present the supervisor with all billing exceptions or billing adjustments before they are made, no controls are in place to ensure that the supervisor is reviewing a complete list of all exceptions and adjustments.</p> <p>Other systems, such as QuickBooks, Chameleon, ActiveNet, NorthStar, MACCS, and YARDI Voyager, are not configured to limit access to fee adjustments to supervisors or managers nor do the mitigating controls in place detect inappropriate fee adjustments or overrides. Without limits to fee adjustments or overrides, the City does not have adequate assurance that fees are being charged and collected accurately and appropriately.</p>	<p>Limit the ability to perform fee adjustments and overrides.</p> <p>In instances where this functionality cannot be limited to managers or supervisors, the City should develop and monitor reports to show all fee adjustments and overrides. The City should consider other types of fee manipulations, such as negative quantities, and develop reports to review these occurrences and ensure appropriateness.</p>



NO.	OBSERVATION	RECOMMENDATION
Key Control: Monitoring Billing		
9	<p>Monitoring is not performed to ensure complete and accurate assignment of fees.</p> <p>The City has not provided guidance to all departments and divisions regarding the monitoring of billing activities. As a result, practices vary across departments and divisions and documentation of these reviews is not consistently maintained. While some departments and divisions reported that they monitor billing processes, these practices vary significantly. For example, the manually generated invoices for private events are reviewed by a secondary individual prior to submission to customers. Similarly, the Transit Fiscal Manager reviews all invoices from QuickBooks for correctness and accuracy prior to distribution.</p> <p>However, the billing activities in other systems are not monitored. For example, in Accela, there is no comprehensive variance analysis being performed to detect whether complete and accurate fees are being charged. Additionally, PCD's lead permit specialist is supposed to verify the plan check fees invoiced, but this review is only done on a sample basis. Similarly, the Police Department does not monitor all of its billing. For example, the Police Department does not compare the number of impounds to the billings for impounds.</p>	<p>Implement the recommended monitoring process for billing activities.</p> <p>As part of its revision of billing policies and procedures, the Revenue Division should develop standard monitoring practices to oversee billing activities. These practices should include:</p> <ul style="list-style-type: none"> • Variance analysis of fees charged to monitor completeness and accuracy including comparison by time period, fee type, and employee • Reconciliations between inventory or other activity reports and billing records to identify incomplete or inaccurate charges • Reports to identify and review fee adjustments, voids, deleted transactions, and adjusted overdue balances • Documentation of monitoring activities performed • Option to exercise surprise audits <p>Additionally, the Revenue Division should work with departments who require assistance in implementing stronger controls.</p>
10	<p>Waived fees or permits issued without payment may not be detected.</p> <p>Some billing systems allow fees to be waived but there are not adequate controls in place to ensure that these are performed appropriately. Within Accela it is possible to change the status of a permit to "waived fees" rather than taking a payment. This would allow PCD staff to print a permit without actually collecting payment first. Similarly, in HDL, staff can waive fees, but, based on current practices, this would not be readily detectable by the Business License Administrator.</p>	<p>Increase monitoring of waived fees.</p> <p>The City should develop reports in all systems that allow fees to be waived. These reports should be reviewed by managers regularly, such as daily or weekly, to ensure that all waived fees are appropriate and investigate any anomalies.</p>
Key Control: Monitoring AR and Other Activities		
11	<p>Not all of the City's outstanding balances are accurately accounted for or actively worked for collection.</p> <p>According to our survey results, not all departments and divisions monitor outstanding balances. Some reported that certain systems do not have aging reports such as the Library's Polaris system. Similarly, any billings prepared manually could not be monitored through an aging report.</p> <p>Additionally, when departments refer outstanding AR balances to the Billing and Collections Unit, it is unclear whether or not departments remove these balances from their respective systems. As a result, the outstanding balance may show in both the originating departments' system and the Billing and Collection Unit's Quickbooks system. While this does not pose an issue with the City's current financial system, any future efforts to reconcile the City's billing systems to its financial system would be hampered by this practice.</p>	<p>Establish an approach for recording outstanding account balances.</p> <p>The City should adopt a consistent approach to tracking outstanding account balances. For example, the Finance Department should decide whether account balances referred to the Billing and Collections Unit will be recorded in QuickBooks only or within both QuickBooks and the departments' system.</p> <p>See <i>Policy and Procedures</i> recommendations.</p>



NO.	OBSERVATION	RECOMMENDATION
Key Control: Written Guidance		
12	<p>Many of the City’s billing practices are not documented in written policies and procedures.</p> <p>The Revenue Division and Financial Operations Division has developed a draft Administrative Instruction for the collection of delinquent accounts. As detailed in the Policy and Procedures section, we reviewed this draft and noted opportunities to improve this citywide guidance. Additionally, we noted that the City does not have policies and procedures that guide the entire billing process – such as the timing that bills need to be prepared.</p> <p>In addition to the lack of citywide guidance, we found that many of the City’s departments and divisions have not documented their own billing practices – such as Business License, Information Technology, Police, Cultural and Community Services, Airport, and Housing and Economic Development. For example, the Business License Division’s billing practices are not documented in writing. Specifically, while it is the Division’s practice to withhold a business license until outstanding debts are paid, this practice is not well documented. Similarly, within CCS, comprehensive policies and procedures for billing do not exist. There is no written guidance related to the monitoring of outstanding balances nor the roles and responsibilities related to them.</p>	<p>Document billing practices in policies and procedures.</p> <p>The City should revise and adopt its billing and AR policies and procedures. Department or division practices should be documented within department or division policies and procedures. Additionally, all department and divisions should establish roles and responsibilities in writing related to billing and accounts receivable.</p> <p><i>See Policy and Procedures recommendations.</i></p>
13	<p>Some important processes, particularly those that cross departments, are not well documented in policies and procedures.</p> <p>The Business License Division and Planning Division are both involved in the business license planning review process. The Business License division makes an initial determination and then the information goes to Planning for final review. Based on Planning’s review, additional fees may be added or refunds applied. No policies or procedures are currently in place to guide this process or define the roles and responsibilities of each department or division.</p>	<p>Establish written guidance to ensure the consistent performance of this process.</p> <p>The Business License Division wrote an initial draft of policies and procedures to direct these practices. The Planning Division and Business License Division should continue to refine this draft and implement written guidance to govern this process.</p>
Key Control: System Administration		
14	<p>Adequate segregation of duties is not in place for the administration of all systems.</p> <p>In accordance with best practices, system administration duties, such as adding users, deleting users, changing user access, and adjusting the fee schedules, should be assigned to individuals who are not involved in billing practices. It is particularly important that individuals who perform billing activities do not have access to change the fee schedules as well. During our review we found that some individuals currently have responsibilities for both system administration and billing functions. For example, within HDL, the Business License Administrator and Administrative Analyst both have the ability to perform all system administration activities and routinely perform billing activities within the system. Similarly, we found that Airport staff perform billing activities but also have the ability to adjust the fee schedule within YARDI Voyager.</p>	<p>Involve other individuals in certain system administration duties to achieve adequate segregation of duties.</p> <p>Relevant departments or divisions, including the Business License Division and the Airport Division, should re-assign system administration duties to individuals who do not regularly perform billing duties.</p>
Key Control: Audit Trail		
15	<p>Not all billing systems have audit trails.</p> <p>Some systems used by the City do not have audit trails – such as ANOMS, Hansen Work Order System, and Chevin FleetWave. Audit trails retain the user name and date that activities are performed within a system. These records serve as an important control because they create accountability for users’ activities.</p>	<p>Implement additional controls for systems without audit trails.</p> <p>Departments or divisions that use systems without audit trails should institute additional controls. For example, user access should be restricted with all duties adequately</p>



NO.	OBSERVATION	RECOMMENDATION
	<p>For systems where audit trails are considered a mitigating control, it is important that these are not solely used as a deterrent control but also as a detective control. We found some instances in which supervisors and managers do not review audit trail activity. Without periodic reviews of activity, audit trails do not provide loss assurance.</p>	<p>segregated. Additionally, when considering the implementation of new systems, departments and divisions should consider whether the functionality for audit trails exists</p> <p>Additionally, regular review of audit trails should be a requirement included in City policy including the assignment of this responsibility.</p>



V. ADDITIONAL OBSERVATIONS AND RECOMMENDATIONS

Through the course of our billing and accounts receivable review, we gathered additional information about a variety of billing and accounts receivable related activities pertaining to specific departments and divisions.

NO.	OBSERVATION	RECOMMENDATION
Parking		
1	<p>The City may not have adequate assurance that its parking contract is being performed in the most effective manner.</p> <p>The City has a contract for the operations of a variety of parking facilities including staff lots, beach lots, and off-street parking which produce more than \$38.5 million annually for the City. The contractor has a range of responsibilities including billing and collections for monthly key cards and staffing various lots and parking structures.</p> <p>The Parking Division does not currently have any access to the contractor's proprietary billing and collections system used for the accounting of monthly parking permits. This lack of system access makes effective oversight more difficult because it prevents the Division from performing independent monitoring on an ongoing basis.</p> <p>The significant revenue associated with the parking operations contract warrants dedicating significant resources to oversight both by the contractor and the City. The City's Parking Division staff recognized the need to enhance the oversight of AR revenue collections and reorganized responsibilities within the existing Division staffing structure to dedicate resources specifically to financial oversight. The contractor hired one additional FTE to address some of the City's concerns. While the Parking Division continues to work with existing staff to review and follow up on all reports in a timely manner, it is unclear whether current resources are sufficient to provide adequate oversight and ensure effective contract performance.</p>	<p>Increase oversight of the contractor's performance.</p> <p>The City should consider conducting an independent review of the contractor's performance to ensure that revenue is being captured completely and appropriately. Also, the Parking Division should work with the contractor to obtain more complete information about billing activities, revenue collection, and all variance analysis.</p> <p>As part of this independent contract review, the City should evaluate the adequacy of resources dedicated to the oversight of this contract.</p> <p>In the short term, City staff should continue to work with the contractor to obtain some level of "read-only" access to the system. In the long term, City staff should consider modifying the agreement with the contractor to allow for increased access to the systems and/or an adjustment to operations to address this concern.</p>
2	<p>The contractor's policies and procedures may not align with the City's policies and procedures.</p> <p>The City's Administrative Instruction guideline for collections and write-offs was last updated in 1986. Without citywide guidance for these practices, the Parking Division is unsure whether the contractor's policies and procedures for billing, collections, and write-offs align with the City's practices. Absent this guidance from the City, the Parking Division is not able to provide effective direction for these policies and procedures.</p>	<p>Review the contractor's policies and procedures to ensure alignment with City practices.</p> <p>Following the revision and adoption of citywide policies regarding billing and collections, the Parking Division should collaborate with the Revenue Division to review the contractor's policies and procedure to verify that they align with the City's practices.</p>
3	<p>Not all parking activities are invoiced in a system with adequate controls.</p> <p>Invoices for event parking permits are generated from a Microsoft Access database. These invoices can be easily altered by staff and, therefore, the accuracy of these invoices cannot be reasonably assured.</p>	<p>Employ a more robust invoicing system for event parking permits.</p> <p>The Parking Division should consider utilizing another system for billing these permits that provides greater system control. For example, the Parking Division should explore whether the new financial system can be used for event parking billing</p>



NO.	OBSERVATION	RECOMMENDATION
		and collections. Alternately, the Parking Division should explore whether event parking permits can be added to the POS system.
4	<p>Reconciliations are not performed to ensure complete revenue collection.</p> <p>Currently, no reconciliation is performed between the invoices created and the revenue collected within the POS system. Similarly, no reconciliation is conducted between the parking hang tag inventory and the billing system. Without such reconciliations, the City does not have adequate assurance of complete and appropriate revenue collection.</p>	<p>Implement a reconciliation process for event parking permits.</p> <p>To ensure accurate and complete billing is performed, the Parking Division should reconcile the revenue collected within the POS system to the event parking permit invoices in its billing system. Additionally, the Parking Division should periodically compare the hang tag inventory to the invoices for event parking permits.</p>
5	<p>Parking operations are not organized within the same division or department.</p> <p>As of April 2014, the Parking Division is in PCD. While the Parking Division is responsible for revenue collection related to parking, other departments and divisions are also involved in the process. The meter technicians who service the parking meters and the individuals responsible for signage and markings work for the Public Works Department. The functionality of meters and the appropriateness of signage are critical elements in the collection of parking meter revenue. Additionally, individuals who collect revenue from the meters are overseen by the Finance Department and the individuals who enforce parking rules report to the Police Department. It requires significant coordination to ensure that all of the entities involved in parking operations are working efficiently and effectively.</p>	<p>Consider reorganizing parking-related functions to promote greater coordination.</p> <p>The City should consider shifting the reporting structure of the meter technicians to the Parking Division. Also, the City should explore other opportunities to improve communication and coordination between all parking-related functions. For example, the Parking Division should work with the Police Department to share more information about parking enforcement deployment on an ongoing basis such as understanding enforcement efforts and ticketing data in different zones throughout the City. Similarly, the Parking Division and Public Works should work together to coordinate signage installation and communicate any installation delays or bottlenecks.</p>
6	<p>Not all parking lots have maximum controls to ensure complete revenue collection.</p> <p>At beach lots, individuals either gain entry with a parking permit or pay a cashier to enter and place the receipt on the dashboard. There are no controls in place to ensure that cashiers are appropriately charging all individuals for entry. For example, there is no license plate recognition to monitor the incoming vehicles nor is permit usage and discounted entries are monitored to detect unusual variances. Additionally, it is unclear whether any citation issues would be communicated to the Parking Division and its contractor.</p>	<p>Explore implementing a revenue collection mechanism at parking lots to incorporate greater controls.</p> <p>In the long-term, the Parking Division, as part of an operational assessment of the beach parking lots, should consider various technology options that incorporate greater controls, such as pay-by-plate technology with links to enforcement or pay on foot machines, and consider how these changes will impact the operations of the facilities. In the short-term, the Parking Division should work with its contractor to implement monitoring controls such as permit usage and discounted entry usage.</p>



NO.	OBSERVATION	RECOMMENDATION
7	<p>Missing controls cannot ensure complete and appropriate revenue collection for valet parking.</p> <p>Annual valet parking permits range from \$50,000 to \$150,000. Despite this significant fee range, there is currently no process in place to ensure that fees are appropriately determined. Without such a process in place, there is a significant fraud risk.</p>	<p>Establish controls to ensure appropriate valet fees are charged and collected.</p> <p>The Parking Division should implement a process for the robust review of fees on all applications for valet parking permits.</p>
Fleet		
8	<p>The Fleet Division has opportunities to improve its billing and revenue collection practices.</p> <p>Our review of billing activities in Public Works' Fleet Division revealed some opportunities for improvement. The Fleet Division does not currently bill for all of its staff costs and, as a result, the Fleet Division falls short of complete cost recovery. In particular, the Fleet Division does not bill its staff costs for the labor associated with the development of bid specifications for vehicle purchases. In addition, the Fleet Division has not conducted a recent inventory of parts. Without a full inventory of parts, the Fleet Division does not have assurance that all parts are appropriately accounted for. Additionally, we found that the Fleet Division's billing process has manual elements that are not currently being verified by a secondary individual to provide adequate assurance of accuracy. Specifically, we found that an administrative analyst manually enters vehicle usage data from its FleetWave system reports into a spreadsheet to create bills. These bills are then submitted to Finance and are used for ISF transfers. Prior to submission to Finance, these spreadsheets are not reviewed by a secondary individual. Without additional system controls or secondary review, the accuracy of these calculations is not assured.</p>	<p>Develop improved controls to strengthen the Fleet Division's billing and revenue collections practices.</p> <p>The Fleet Division is currently in the process of going out to bid for a new asset and work order management system to replace FleetWave and potentially FuelView. The Fleet Division should consider improved controls when considering new systems.</p> <p>Working with Finance, the Fleet Division should implement an inventory process. Additionally, the Fleet Division should perform internal reviews of spreadsheets before submission to Finance.</p>
Planning and Community Development		
9	<p>Current recordkeeping practices make tracking difficult across various departments.</p> <p>The permits and activities for numerous departments and divisions are recorded within the Accela system and revenue is collected by Planning and Community Development (PCD). While streamlining the collection of this revenue creates convenience for customers, some challenges exist for the various entities involved. For example, the Water Division of Public Works reported some difficulties in matching up the revenue collected in Accela with postings in the City's financial system because entries are made in batches and no individual permit numbers are noted.</p> <p>Additionally, both the RRR Division of Public Works and the Water Division of Public Works reported frustrations with how refunds are recorded. When refunds are issued, they are recorded in the City's financial system. However, refunds are not recorded within Accela.</p>	<p>Explore avenues for improving recordkeeping within Accela.</p> <p>The Accela System Administrator should consider options for improving recordkeeping within Accela—such as transferring more detailed data into the City's financial system and recording refunds within Accela. The Accela System Administrator should meet with representatives of the different departments and divisions who utilize Accela through PCD and discuss additional opportunities for operational improvements.</p>
Cultural and Community Services		
10	<p>Responsibilities related to the monitoring of outstanding account balances are not well defined.</p> <p>In Cultural and Community Services (CCS), the System Administrator of the ActiveNet system has access to reports showing the outstanding account balances for all CCS divisions and locations. As part of his role, he has developed reports for each division and location and shown supervisors and managers how to access these reports. However, based on our survey results and interviews, it does not appear that supervisors and managers know that they are responsible for collecting on these accounts and restricting access until accounts</p>	<p>Assign responsibilities for monitoring and collecting on unpaid balances and oversight of this activity.</p> <p>CCS should document supervisors' and managers' responsibilities for monitoring and collecting unpaid account balances. Also, CCS should provide guidance to all divisions regarding restricting access for</p>



NO.	OBSERVATION	RECOMMENDATION
	are paid. Without clear guidance about responsibilities over uncollected balances and an individual assigned to oversight of this activity, not all outstanding CCS balances are being collected nor is access being appropriately restricted.	individuals or organizations with outstanding account balances. Lastly, CCS should assign the responsibility for overseeing this process and ensuring its performance.



VI. POLICIES AND PROCEDURES REVIEW

As part of this engagement, we were asked to review the City's draft billing and accounts receivable policy. We reviewed the draft language and compared it to best practices. In a separate document, we provided detailed suggested revisions. In addition to those revisions, we recommend the following changes:

NO.	OBSERVATION	RECOMMENDATION
1	<p>No citywide guidance exists to guide the entire billing process.</p> <p>The Finance Department has drafted an Administrative Instruction guideline for collecting delinquent receivables citywide. However, this Administrative Instruction guideline does not address billing more holistically. For example, no guidance is in place to specify the timing within which billing needs to be performed. Additionally, the City lacks citywide guidance to address system controls for user access or appropriate mitigating controls. Lastly, direction has not been provided to instruct departments and divisions how to monitor billing activities.</p>	<p>Develop written, holistic guidance for the entire billing process.</p> <p>The Finance Department should continue to update its draft Administrative Instruction guideline for billing activities. This guidance should include the following elements:</p> <ul style="list-style-type: none">• Timing for issuing bills• User access for system controls or mitigating controls• Monitoring practices including variance analysis, review of fee adjustments, voids, deletions, credits, and adjusting overdue balances
2	<p>Written guidance does not specify the review of manual journal entries.</p> <p>The City's cash handling Administrative Instruction guideline includes procedures for the end-of-day deposit preparation. While the Administrative Instruction guideline does state that receipts must be recorded into the City's financial system, this procedure does not specify who should enter the manual journal entries nor does the procedure state that a secondary individual must review these entries. Because the City's billing systems do not interface with the financial system, it is critical for the City to ensure the accuracy of data entry into the financial system.</p>	<p>Revise cash handling policies to address the review of manual journal entries.</p> <p>The Revenue Division should complete its update of the cash handling Administrative Instruction guideline to include specific review requirements, such as the following:</p> <ul style="list-style-type: none">• Require secondary individuals to review manual journal entries in the City's financial system to ensure the accuracy of amounts and general ledger account numbers
3	<p>The City's policies and procedures do not address billing activities performed by third parties.</p> <p>More than \$50 million is billed and collected annually through third-party contracts. These contracts range from parking operations to parking citations to airport landing fees and to film permits. While each contract specifies the terms with each vendor, the City does not outline standard practices for departments or divisions working with third-party revenue contracts. Specifically, the City does not clarify who is responsible for monitoring the contractor's billing activities and with what frequency nor does it define practices for ensuring complete revenue collection. Without standardized oversight practices, the City faces an increased chance that oversight will not be appropriately performed.</p>	<p>Incorporate guidance about the oversight of third-party vendors' billing activities into the Administrative Instruction guideline.</p> <p>The Revenue Division should add language about third-party vendor oversight into the Administrative Instruction guideline including the minimum monitoring frequency for billing and collection activities. Additionally, the City should require departments and divisions to work with the Revenue Division to establish and document vendor-specific oversight practices.</p>



NO.	OBSERVATION	RECOMMENDATION
4	<p>Current accounts receivable monitoring and collections activities are inconsistent across departments.</p> <p>The City's Administrative Instruction does not provide details to departments and divisions about how accounts receivables should be monitored. As a result, our review revealed that monitoring of receivables is not performed consistently across departments and divisions. In particular, we found that the frequency with which outstanding balances are reviewed varies across departments and divisions. While some departments state that they perform monitoring every several months, other departments review outstanding balances every month. In other instances, it is unclear how much monitoring, if any, is performed. For example, minimal monitoring of outstanding balances is performed within the FAB system for the Police's false alarm program. We also found that many departments and divisions do not document any of the monitoring efforts they perform. Without documentation, it is difficult to verify whether and how often this monitoring is performed. Moreover, there is no citywide policy stating whether the provision of goods or services should be restricted until outstanding balances are resolved.</p> <p>Additionally, the City does not specify the monitoring expectations for outstanding account balances. In particular, while the Administrative Instruction guideline states that departments must refer delinquent receivables to the Billing and Collections Unit within 60 days of the billing due date, not all departments regularly review aging reports. Upon review, we found that not all departments and divisions referred delinquent accounts in a timely manner. The failure to report accounts to the Billing and Collections Unit compromises the Unit's ability to collect outstanding balances.</p>	<p>Provide more robust guidance citywide regarding the monitoring of accounts receivable and collections actions.</p> <p>In coordination with Financial Operations, the Revenue Division should continue to update its draft Administrative Instruction to include the following:</p> <ul style="list-style-type: none">• Timing for monitoring outstanding balances• Documentation of outstanding balance reviews• Policy restricting additional goods or services when outstanding balances exist <p>The Revenue Division should develop a process for ensuring that departments and divisions are appropriately referring delinquent receivables to the Billing and Collections Unit.</p>

