

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT
UTILITIES CUSTOMER SERVICE DIVISION
MANUAL BILLING PROCESS

A U D I T R E P O R T

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A U D I T R E P O R T

The Internal Audit Department conducted an audit of the manual billing process for Utilities Customer Service Division, under the Financial Management Department, for the audit period February 1, 2000 through January 31, 2001. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Public Works Department was reorganized effective February 24, 2001, changing its name to the Utility Operations Department. As a result, the Fiscal Services Section was transferred to the Financial Management Department, and renamed the Utilities Customer Service Division. This audit incorporated functions that are now the responsibility of the Utilities Customer Service Division.

The Utilities Customer Service Division's manual billing process provides a means of billing for non-standard services. These services include billing for water consumption of local governments, as well as for some residential developments, in compliance with inter-local agreements and contracts. The billings are also initiated to assess charges for other approved fees and rates for maintenance and repair by other departments, and for other Board of County Commissioners' approved miscellaneous charges related to the Utilities Operation Department.

PURPOSE/OBJECTIVE:

The audit purpose / objectives included, but were not limited to, the following:

- Determining whether deposits received and other fees paid for the billable charges are accurate, adequately controlled, deposited timely, and refunded appropriately.
- Determining whether chargeable amounts billed by the Manual Billing Process are accurate, authorized, timely billed, and timely collected.
- Determining whether the outstanding balances are aged, collection efforts are performed, and uncollectable balances are approved by the Board of County Commissioners.

SCOPE:

The scope of the audit included examining evidence supporting that billings and collections of fees and charges were in compliance with Board of County Commissioners' approved resolutions for the period ending January 31, 2001. Controls over cash handling procedures, write-offs of delinquent billings, and the timeliness and accuracy of billing were also reviewed.

METHODOLOGY:

Internal control evaluations were accomplished by reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit for the period ending January 31, 2001, in the audit of the Utilities Customer Service Division Manual Billing Process.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested.

Except as noted in our audit report, tested items were in compliance with ordinances, resolutions, and other policies established by the Utilities Customer Service Division relating to the Manual Billing process.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the manual billing process under the Utilities Customer Service Division for the period ending January 31, 2001, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

STATEMENT ON INTERNAL CONTROL STRUCTURE: Continued

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be used for each Area Identified for Improvement reported. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's Management Team and the Internal Audit Department. The Management Team included the Director and the Financial Management Administrator of the Financial Management Department and the Accounts Control Manager of the Utilities Customer Service Division.

MANAGEMENT SUMMARY:

The reorganization of the Public Works Department resulted in the transfer of the Fiscal Services Section to the Financial Management Department. The Section was renamed to the Utilities Customer Service Division. With the implementation of the Banner computer billing system, the Division has been effective in transferring many of the manual bills to the Banner computer billing system. For the bills that continue to be billed manually, controls appear to have been strengthened by increasing the segregation of duties and removing the incompatible functions that once existed.

Based on the audit performed, it appears the Utilities Customer Service Division has been adequately invoicing customers for all manual billing requests originating from divisions of Manatee County Government, municipalities and/or intergovernmental agreements. In addition, checks received by the Utilities Customer Service Division are applied accurately and timely to the customers' accounts. Overall, the manual billing process appears to be functioning properly with the exception of the following areas where we believe improvements can be made:

- The Utilities Customer Service Division is responsible for the collection on all outstanding accounts. Formalized procedures are needed to ensure the adequate and timely collections of customer accounts, and to ensure adequate collection efforts are employed prior to writing-off of customer account balances. In addition, the Division should evaluate the benefits of using statements that include customers' account history over the current use of invoices that include only current account activity. The Management Team through its Management Action Plan is in the process of developing procedures to include the periodic review of aging reports on manual billing accounts, documentation of collection efforts, and requirements for the writing-off of customer accounts. Management will also evaluate and decide whether statements will replace the current use of invoices. **(See Area for Improvement #1 on page 6.)**

- The Utilities Customer Service Division is responsible for applying deposits and payments to contractors' accounts, billing contractors when inspections are performed, and providing for a refund of deposits. Currently deposits are obtained for individual phases of construction. This process appears to be inefficient and does not appear to be required by Resolution R-99-113. The monitoring of customer account activity can be improved by establishing procedures that would require the billing and refund of deposits to contractors. In addition, improvement can be made by notifying the Utilities Inspection Section when accounts are past due or deposits have not been made, resulting in the suspension of additional inspection services. The Management Team through its management plan will reevaluate the deposit requirement and update procedures accordingly. In addition, management will establish procedures to increase monitoring over customer accounts and provide refund of deposits upon the completion of work by the contractor.
(See Area for Improvement #2 on page 6.)
- The Utilities Customer Service Division manually bills four municipalities that purchase water and/or process wastewater through Manatee County. By increasing supervisory review of the bills, the accuracy of the bills sent to the municipalities can be significantly improved reducing the inefficiency of having to send corrected invoices. The Management Team through its management plan will increase supervisory review of invoices and supporting documentation to minimize the number of corrections.
(See Area for Improvement #3 on page 7.)

We appreciate the efforts of the Financial Management Department's management in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plans included in this report, controls will be strengthened, improving accountability.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA IDENTIFIED FOR IMPROVEMENT #1

Subject: Collection Efforts on Outstanding Balances

The Utilities Customer Service Division is responsible for collection on all outstanding accounts. At this time, the Division has not formalized procedures to ensure adequate and timely collections of past due accounts. In addition, documentation was not available to ensure that adequate collection efforts were made on outstanding balances prior to write-offs of customer accounts.

It was also noted that customers are billed using invoices, instead of monthly statements, for current services received. These invoices do not contain information on the account status, such as past due amounts. As a result, customers are not receiving information about outstanding or past due account balances.

Management Action Plan:

- Management is in the process of developing procedures that will include the review and documentation of all outstanding manual billing accounts every thirty days. These procedures will also include the steps required prior to the write-off of customer accounts. Management will also consider using statements instead of invoices so that the customer is better informed of their account status. Implementation is expected by June 30, 2001.

AREA IDENTIFIED FOR IMPROVEMENT #2

Subject: Accounting for Temporary Construction Deposits

Resolution R-99-113 provides a mechanism to obtain a \$600 deposit as security against services rendered for construction/development inspections. While the resolution does not specify whether the deposit requirement is per construction phase or per contractor, deposit collection is currently demanded per construction phase. Consequently, the Utilities Customer Service Division is responsible for applying each deposit payment to the particular project phase, billing customers when inspections are performed, and providing for a refund of the deposit when a phase is completed.

For the audit period tested, all of the deposits were applied timely for the correct amount and to the correct customer. It was noted, however, the Utilities Customer Service Division is not monitoring customer account activity for construction inspections. As a result, payments were not always applied to the appropriate phase of the development, deposits were not always collected by the Utilities Inspection Section, and deposits were not always refunded when the project phases were completed. In addition, procedures do not exist to notify the Utilities Inspections Section not to perform additional inspection services when active accounts do not meet deposit requirements and/or when account balances become past due.

AREA IDENTIFIED FOR IMPROVEMENT #2Continued

Management Action Plan:

- Management will evaluate the Resolution together with the Clerk's Finance Department to consider changing the deposit requirement to a per contractor basis instead of a per construction phase basis. This will provide a more efficient and effective management of customer deposits. Management anticipates that an agreement will be reached and procedures will be updated by May 31, 2001.
- Management will establish procedures to monitor customer account activity to ensure all deposits are received and accounts are current prior to rendering inspection services. Management will also review deposits currently held and provide refunds as appropriate for those completed projects. Management is in the process of implementing these changes and anticipates they will be fully operational by August 31, 2001.

AREA IDENTIFIED FOR IMPROVEMENT #3

Subject: Manual Billings - Municipalities

The Utilities Customer Service Division manually bills four municipalities that purchase water and/or process wastewater through Manatee County. For the audit period reviewed, it was noted that meter readings are not analytically reviewed and compared to prior months usage; spreadsheets used to determine the amount to be billed are not updated to show the correct dates or correct calculations of charges; and invoices are not checked for accuracy. While the mistakes are eventually corrected in most instances, they normally result in re-billings, which is less efficient.

Management Action Plan:

- Management will increase supervisory review of invoices and supporting documentation to minimize the number of corrections. In addition, spreadsheets will be redesigned to include templates for inputting of new information and protection of formulas used in the calculation of invoice amounts. Management is in the process of implementing these changes and anticipates they will be fully operational by April 30, 2001.