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REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF CITYWIDE REVENUE

INTERNAL AUDIT REPORT (IAR) 100014-05

December 31, 2014

Report Highlights	Page
• Opportunity exists to increase property tax revenue receipts by at least \$420,000 and possibly as much as \$736,000	5
• City is expending more than \$78,500 annually pursuing collection of insufficient checks and electronic payments	7



The Council
City of Shreveport

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December 31, 2014

Councilman Jeff Everson
Chairman, Shreveport City Council

Dear Councilman Jeff Everson:

Subject: IAR 100014-05 – Audit of Citywide Revenue

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward
Leanis L. Steward, CPA, CIA
City Internal Auditor

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**EXECUTIVE SUMMARY
AUDIT OF CITYWIDE REVENUE
INTERNAL AUDIT REPORT (IAR) 100014-05**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

We performed this audit to ascertain the effectiveness of revenue generation and efficiency of its collection. It included review of the policies and procedures in effect over each revenue generation activity and an evaluation of the effectiveness of these and other controls over the collection and reporting of the revenues generated.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains seven findings with fifteen recommendations.

<i>Risk Levels</i>	<i>Recommendations</i>
<p style="text-align: center;">High Risk</p> <p>Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.</p>	<ul style="list-style-type: none"> ♦ A current listing of all aircraft based at Regional and Downtown Airports be provided by the Airport Authority to the parish assessors prior to December 31 for property tax assessment. (Finding 1, pg 5) ♦ The City study electronic payments to reduce NSF checks and review online payment systems for faster notifications of NSF. (Finding 2, pg 6) and establish controls over outstanding NSF items. (Finding 3, pg 8) ♦ Water & Sewer implement requirements for utility deposits, handling past due accounts, turn over small delinquent accounts to third party collection agency. (Finding 4, pg 9) ♦ Landfill management develop/implement credit limits and collection policies and utilize the resources of Revenue Compliance to assist in pursuing collection of its delinquent receivables. (Finding 5, pg 13)
<p style="text-align: center;">Medium Risk</p> <p>Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.</p>	<ul style="list-style-type: none"> ♦ Administrative Procedure 3-7 be updated to include the electronic payment systems now in use within the City. (Finding 6, pg 15) ♦ Consider installation of a secure drop box within Government Plaza Lobby to provide citizens paying bills with a check an alternative to standing in a long line. (Finding 7, pg 16)
<p style="text-align: center;">Low Risk</p> <p>Possibility of continuing operating inefficiencies and some low-level non-compliance issues.</p>	<ul style="list-style-type: none"> ♦ Establish policies and procedures for supporting and guiding the work of the Revenue/Compliance Division (Finding 6, pg 15) and train other personnel in the Revenue/Compliance Division as backup for the cashiers and mail receipting personnel. (Finding 7, pg 16)

INDEX

Executive Summary	1
Index	2
Objectives	3
Scope and Methodology	3
Background	3
Conclusions/Findings/Recommendations	3

FINDINGS

Risk Factor

1. Potential Property Tax Revenue.....	High	5
2. Processing of NSF (Non-Sufficient Funds).....	High	6
3. Inadequate Controls Over NSF Checks and Payments.....	High	8
4. Water and Sewer Collections Turnover	High	9
5. Solid Waste Landfill Past Due Accounts	High	13
6. Revenue Compliance Division Policies and Procedures	Medium/Low.....	15
7. Outdated Equipment and Inefficient Procedures or Processes	Medium/Low.....	16

**AUDIT OF
CITYWIDE REVENUE
INTERNAL AUDIT REPORT (IAR) 100014-05**

OBJECTIVES

We have completed an audit of the Citywide Revenue Collections for the period October 1, 2012 thru September 30, 2013. The objective of our audit was to ascertain the effectiveness of revenue generation and the efficiency of its collection.

SCOPE AND METHODOLOGY

The scope of our audit included a review of the policies and procedures in effect over each revenue generating activity and an evaluation of the effectiveness of these and other controls over the collection and reporting of the revenues generated. Our scope also included an evaluation of compliance with applicable laws, ordinances and regulations within each revenue generating activity. The following revenue sources are included in this audit: Ad Valorem (Property) Taxes, Franchise Taxes, Local Share of State Tax, Occupational Licenses, Emergency Medical Services, Landfill, and Engineering and Inspection Fees. Enterprise Fund Revenues were not included, except to the extent of their collection being handled by the City's cashiering or revenue compliance personnel.

We conducted this audit in accordance with generally accepted government auditing standards, except that a peer review has not been performed, and included such test of procedures and controls as considered appropriate. We believe the evidence obtained provides a reasonable basis for our findings, conclusions and recommendations based on our audit objectives.

BACKGROUND

The City generates revenue by levying taxes, charging fees for services, and for the use of facilities. The revenues identified in the previous section constitute general fund revenues, which were the principal focus of this audit at its outset. As the audit progressed, and we were reviewing cashiering and collections in revenue compliance, we discovered issues involving Water and Sewer (an enterprise fund) that significantly impacted the collection process. We included these issues and the related findings in our audit work and this report. The review related to these issues was limited to their impact on cashiering and revenue compliance collections, but certain Enterprise Funds revenue may require additional audit work.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office expresses appreciation to the management and personnel of the Finance Department and its Division of Revenue/Compliance and to the other Departments and Divisions impacting the audited Department and Division or impacted by them for their cooperation and assistance provided during our audit. Based on our review, we believe management could enhance the efficiency and control environment by addressing the following concerns:



IAR 100014-05
September 1, 2014

- The City's Airport Authority ensure all information necessary to assess and collect property taxes, including an updated listing of all aircraft based at each of its airports, be provided to the assessors prior to December 31; and the Revenue Division follow up with the assessors during the assessment season to assure the assessment process has been completed.
- The City implement better procedures and technology in its cashiering and receipting operations to reduce or eliminate acceptance of NSF checks and other dishonored payments.
- The City examine its relationship with KUBRA and CHECKFREEPAY and their overall performance and timeliness in receiving, processing and reporting payments they receive for the benefit of the City.
- The City determine the current balance of dishonored payments held for collection in the Revenue Compliance Division and establish controls over the balance and the physical items supporting that balance.
- The Water and Sewer Department implement and upgrade the policies and procedures mandated by Ordinance 94-163 for customer utility deposits and Ordinance 94-167 for reviewing and acting on past due accounts, and for enforcing these Ordinances timely and uniformly.
- The Water and Sewer Department rescind any policies prohibiting the turnover of past due small accounts (less than \$50) to our third party collection agency, and direct Revenue Compliance to begin turning these accounts over.
- The Landfill Management develop and implement policies and procedures establishing credit limits and pursuing collections of accounts. These policies should include utilizing the Revenue Compliance Division for collecting old and past due accounts and minimizing additions to delinquent status.
- The City's Administration update Administrative Procedure 3-7 taking into account the electronic and other systems currently utilized by the City's affected Departments.
- The City consider installation of a secure drop box in the Government Plaza lobby to provide citizen/taxpayers who are paying bills with a check and do not require a receipt an alternative to standing in long lines.
- Establish, update and implement policies and procedures supporting and guiding the work of the Revenue Compliance Division. As part of these policies and procedures, include a comprehensive training manual for the cashiering and mail receipting functions and train additional Revenue/Compliance personnel as backup for cashiers and mail receipting personnel.



1. Potential Property Tax Revenue

Criteria: The guidelines for ascertaining the fair market value of aircraft (*for ad valorem tax purposes*), as promulgated by the Louisiana Tax Commission, provides the following guidance:

- Airplanes and helicopters, except those owned by a company engaged in the business of transporting passengers and/or property for hire on regularly scheduled flights, ... are subject to valuation and assessment by parish assessors.



- Antique airplanes, those manufactured at least 25 years ago, and not being used in commerce, are exempt from personal property taxes. Any aircraft weighing less than 6,000 pounds, which is owned by a private individual and not used for commercial or profit-making purposes is also exempt from personal property taxes.
- Crop dusting airplanes used exclusively for agricultural purposes are exempt from personal property taxes.

Condition: A review of the City's property tax roll for 2013 shows that only 9 of the 313 aircraft sited at the Downtown Airport and 5 of the 88 sited at the Shreveport Regional Airport have been assessed and taxed. We believe that 315 or more of these aircraft are taxable under the State's property tax regulations; however only fourteen are actually assessed and taxed. Many of the aircraft sited at these two facilities are business jets; however, only one is currently being taxed. We estimate that at least 240 of the aircraft at Downtown and 75 of the aircraft at Regional should be assessed and taxed.

The lost revenue on untaxed aircraft is at least \$420,000 and may be as much as \$736,000 in additional City property tax.

Only 14 aircraft are taxed. We estimate that 315 aircraft should also be taxed.



Effect: Taxable aircraft having an estimated aggregate assessed value between \$10,584,000 and \$18,558,000 are not currently assessed. Based on the current millage rate of \$39.70 per thousand, the City's lost property tax revenue is somewhere between \$420,000 and \$736,000.

Cause: While the business personal property tax process is based on citizens self-reporting their taxable property, this may not always happen. Parish Assessors are charged with "discovering and assessing all taxable property within their jurisdictions". Sometimes, this means receiving help from third party government agencies, such as the occupational license department, the state or local sales tax offices, or the Airport Authority, in "discovering and assessing" taxable property. Both the Caddo and Bossier Assessors report that they need more assistance from the Airport Authority in discovering aircraft located on their premises.

Recommendations: We recommend that the City request its Airport Authority to provide an updated listing of all aircraft based at each of their airports to the responsible Assessors for their "discovery and assessment" by December 31. We further recommend that the Revenue Division follow up with the Assessors during the assessment season to assure that the assessment process has been completed.

Management Plan of Action from Airport: The Airport will work with Parish Assessors to provide an updated listing of based aircraft at both Shreveport Regional and Shreveport Downtown Airports for the purposes of determining the potential property tax revenue due.

Timetable: These lists will be provided by December 31, 2014.

Management Plan of Action from Revenue: The Revenue Division will follow up with the assessors, during the assessment season, to help insure that aircraft are being reported and assessed and will report to the Director of Finance any problems with the collection of the necessary data to complete this task.

My understanding is you also received a response from the leadership at the airport on this finding and we will work with the airport and the assessors to see that all items are properly assessed.

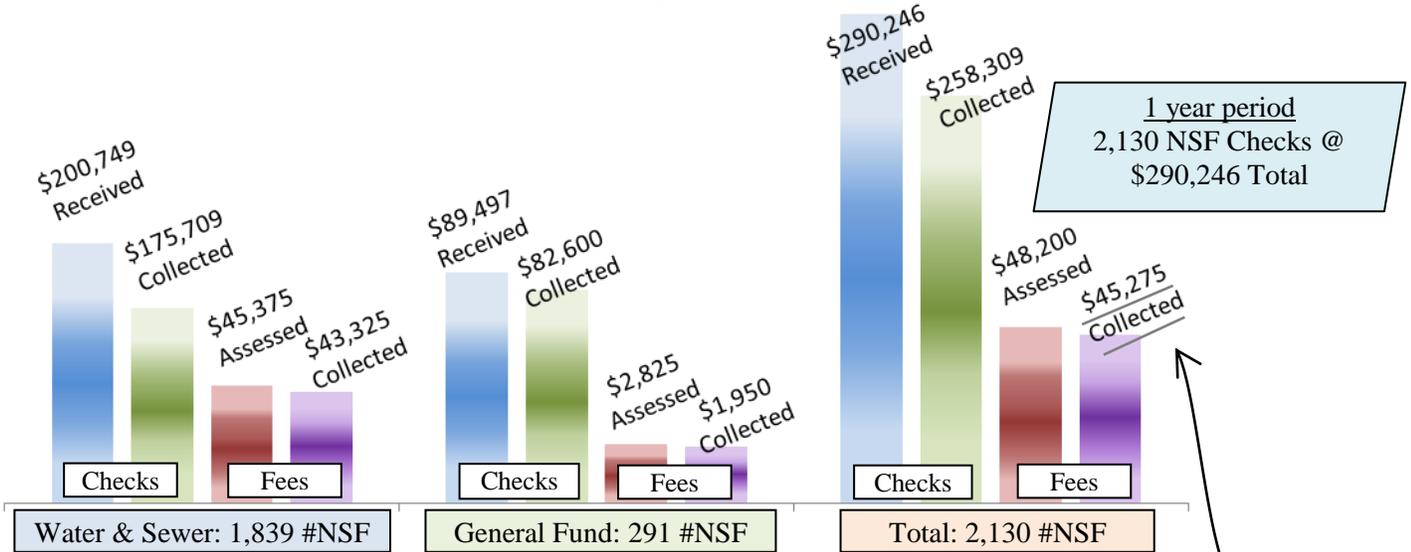
2. Processing of NSF (Non-Sufficient Funds)

Criteria: Implementing proactive revenue collection measures upfront can help management to prevent future losses and avoid potential collection problems.

Condition: The City's volume of NSF checks received (i.e., bad checks, insufficient funds credit and debit card payments) is large in both numbers and the consumption of time. Below, we illustrate the NSF checks and the time spent by the Revenue Compliance personnel on their various job duties.



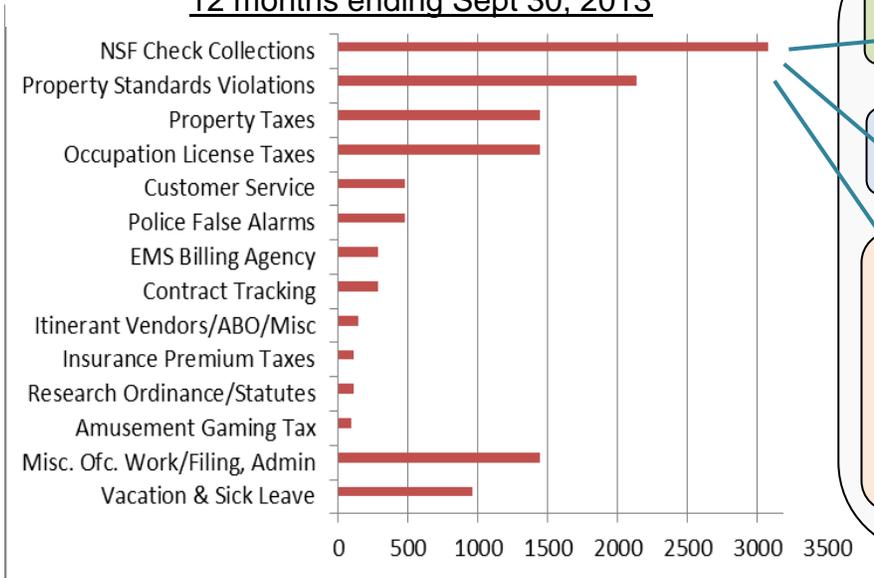
Non-Sufficient Funds (NSF) Checks
12 months ending Sept 30, 2013



Effect: As illustrated in the chart below, the job duties for a year (12 months ending on September 30, 2013), indicate Revenue Compliance personnel are spending almost a third of their time towards the collection of the NSF checks.

The personnel cost of \$78,625 far exceeds the \$45,275 fees collected

Revenue Compliance Job Duties
12 months ending Sept 30, 2013



3,072 hours in NSF collections
Personnel cost is \$78,625

Almost a third of time available is used for NSF check collection.

The time and effort used for collection of NSF checks could be used towards the other duties. The Revenue Auditors have not been "in the field" pursuing non-compliant businesses (no license or unpaid tax) in more than a year.



Customers often use the on-line payment services KUBRA or CheckFreePay. It can take up to two weeks before the City is notified by KUBRA of NSF. These services do not determine if funds are available at the time of payment.

Cause: Some taxpayers/customers tendered payments while lacking funds. The City is not utilizing available technology that can prevent or reduce acceptance of NSF checks.

Recommendation: The City study the cost of implementing electronic conversion of check payments to direct debits from the payer's account, which will provide the City with immediate access to the funds, eliminating the need to handle the check further, prepare a deposit ticket, etc. At the same time, use of this technology will alert cashiers to accounts with insufficient funds to honor checks while the citizen/taxpayer is still at the payment window. This will allow them to decline acceptance of the potential NSF checks before they ever enter the system. The cashiers may be able to collect an alternative form of payment from the citizen/taxpayer while the taxpayer/customer is still present. Determining the feasibility of implementing this technology should take into account the intangible benefits of freeing up the time presently consumed by all the tasks necessary to process and collect the dishonored payment.

The City should examine its relationship with KUBRA and CHECKFREEPAY, including the overall effectiveness of their performance in receiving and handling debit and credit card payments for the City.

Management Plan of Action from Revenue: The Revenue Division, with the assistance of the Director of Finance, is currently studying & pricing the equipment necessary to automatically debit payments from the accounts of our customers' & taxpayers.

The Revenue Division is in agreement with the need to further study the efficiency and effectiveness of the performance of Kubra and Checkfreepay, although the decision to retain, replace or remove these third party vendors is at the discretion of the Water & Sewerage Department.

My understanding is you also received a response from the leadership at the W&S on this finding. I know they have looked into replacing Kubra as the online collection method. We will continue to work with them and IT to improve the process of collecting payments.

<Auditors note: Water and Sewer's response is found on page 12>

3. Inadequate Controls Over NSF Checks and Payments

Criteria: Good accounting practices require the maintenance of a running balance of the uncollected value of NSF checks that is regularly agreed to the total of the physical evidence (documents) of the NSF checks. The documents evidencing the NSF checks should be kept in a locked drawer or cabinet having limited access until they are redeemed.



Condition: As listed in the chart below, the Revenue Compliance Division does not have adequate controls of the NSF checks or payments.

Effect: Failure to maintain controls opens opportunities for fraud and abuse. Lack of controls enables the potential to divert cash to personal use, or to remove and destroy NSF checks; while concurrently diminishing the potential for discovery of such activities.

Cause: Management oversight.

Recommendation: We recommend the following:

- ♦ Create and maintain a current listing of NSF checks. Policies should be developed and implemented that require the maintenance of control accounts for these NSF checks, and that the detail (individual items) be reconciled to the control at least monthly.
- ♦ NSF checks should be maintained in a secure area that limits access to them.

Inadequate Controls
NSF Checks and Payments

- ♦ **No listing of NSF checks. Cannot readily determine the amount or number of NSF checks.**
- ♦ **NSF checks are kept in an unlocked cabinet in an unlocked office that is sometimes unoccupied.**

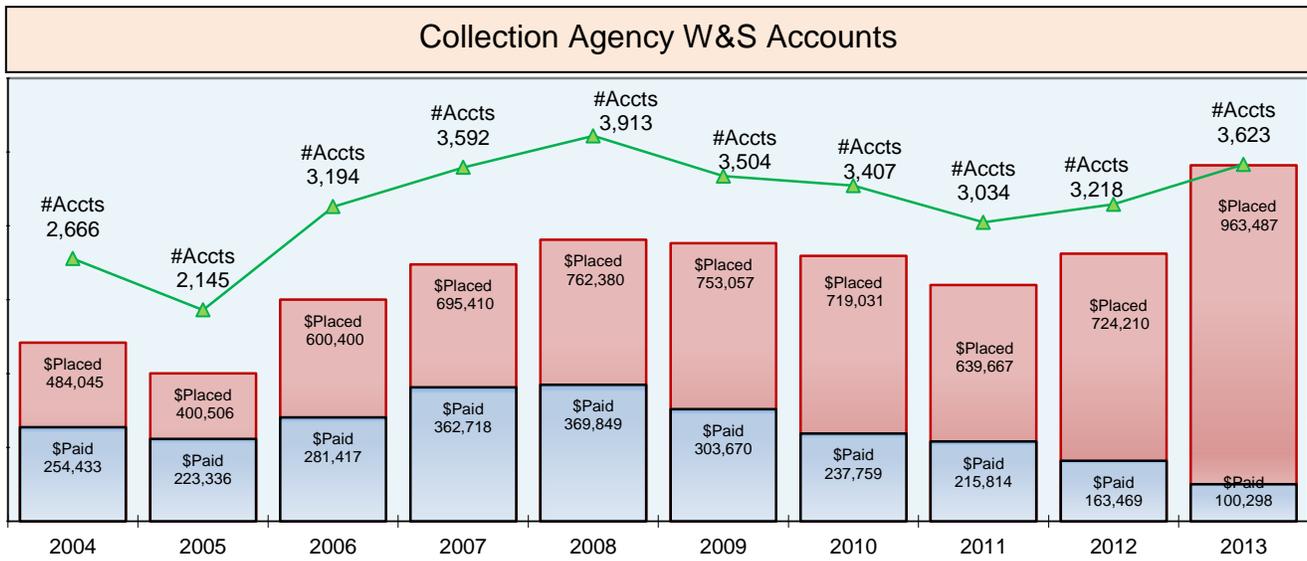
Management Plan of Action from Revenue: Revenue agrees with this finding. We have written and implemented new procedures that allow for better controls over NSF Check and Payments. We now scan every NSF Check item and maintain these items electronically. The original NSF Letters are kept in a secured area with limited access.

An Excel spreadsheet was created to log all incoming NSF items by account number, customer, amount of returned item, service charge, date of item, balance due, amount paid, date, amount written off, date & current balance.

New NSF items are inputted weekly and payments and or write-offs are inputted semi-monthly.

4. Water and Sewer Collections Turnover

Background: The graph following depicts the City's annual placement of account balances (blue bars) and annual collections (red bars) on these balances for each of the past ten years. The annual amounts placed for collection ranged from a low of \$400,506 in 2005 to a high of \$963,487 in 2013. The average number of accounts placed is 3,320.



Criteria: Industry financial ratios available from BizMiner show that the average Water and Sewer Utility experiences bad debt expense of .29%. BizMiner is a nationally recognized researcher and publisher of business and industry financial information and ratios.

Condition: 5% of the City's 66,769 (as taken from the 2014 budget) active water and sewer accounts are turned over to third party collectors every year. The City's net loss on these accounts (bad debt expense) is .86% or virtually three times the national average of .29%, not including the cost of collection.

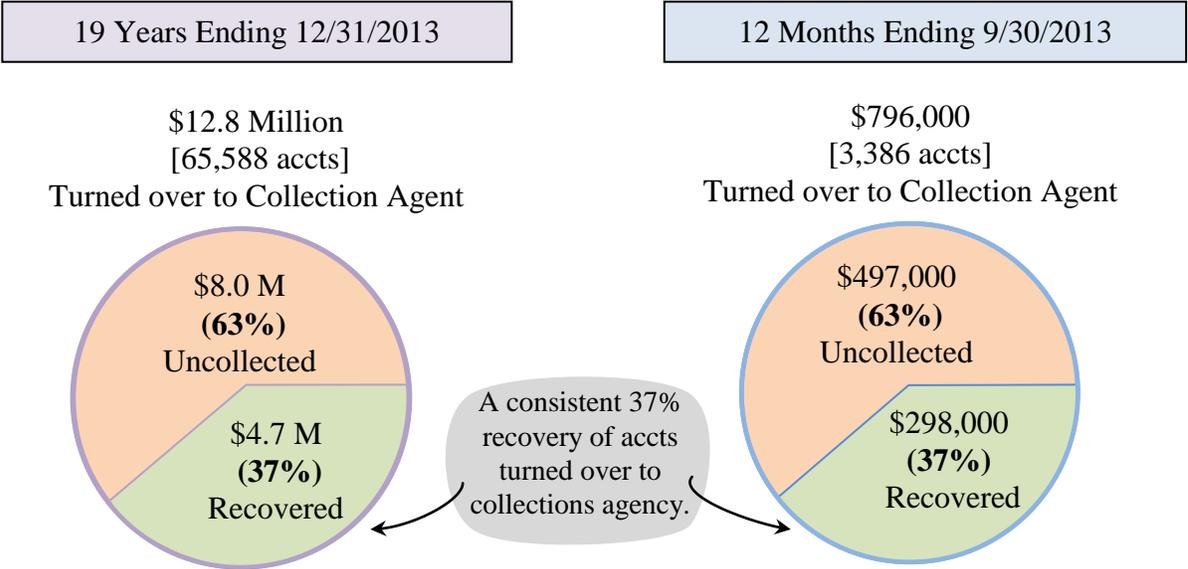
City's W&S Bad Debt
.86%
is three times the
national average of
.29%

Collection fees are one third of what is collected.

The accounts owing less than \$50 were not pursued for collections.

This net loss does not include NSF checks that are not recovered and small accounts (balances less than fifty dollars) that are not turned over to the collection agency. We were unable locate the policy prohibiting the turnover of these small accounts, although it is being followed scrupulously. When the City implemented its new Water Billing System in 2011, all inactive accounts less than fifty dollars (\$50) were purged from the system. No record of these accounts was made prior to the purge.

The chart below summarizes activity in the accounts turned over for collection for the 19 year period described in the Finding section above and for the twelve month period ending September 30, 2013. A comparison of the two periods shows that the results obtained have been consistent between the shorter and longer time periods.



Of the 65,588 accounts summarized above, at least 3,342 are duplicate accounts (two or more separate accounts for the same customer). This means that 9.53% of the accounts represent multiple accounts for the same person, sometimes at the same location within the same year.

Effect:

- ◆ No pay cutoffs, take outs, and collection efforts require a great deal of field and administrative time, utilizing both funds and manpower that might be better utilized in improving the infrastructure and quality of service to our citizens. The portion of collection accounts never collected (currently almost two-thirds) forces effective rates to rise in order to generate sufficient funds from citizens who pay their bills timely to maintain the system.
- ◆ Not sending small accounts out to the third party collection agency precludes any concerted effort to collect them, which further reduces the City’s revenue.

Cause: Management oversight.

Recommendation: We recommend that the Water and Sewer Department:

- ◆ Review and upgrade the requirements of the ordinances, to reflect current economics and enforce them uniformly.
- ◆ Develop and implement policies for reviewing and acting on past due accounts, as well as for enforcing these policies timely and uniformly.
- ◆ Rescind any verbal or written policies prohibiting the turnover of small accounts (less than \$50) to the City’s third party collection agency, and direct Revenue Compliance to send these accounts to the agency.



Management Plan of Action from Water & Sewer: Recommendation No. 1: The Department revised the Chapter 94 Code of Ordinances in October of 2013. These revisions included significant financial impacts for accounts that become delinquent. Deposit amounts were increased from \$40 to \$150 which allows the Department to recover a larger portion of an account that is not paid when customer moves. Fees for reconnection after non-payment termination of water service were also increased from \$25 to \$50 which not only provides for recovery of cost for the reconnection but serves as an incentive to keep accounts current as the cost of reconnection is sometimes more than the actual bill. The Department is currently revising the Ordinance and will include provisions in the Departmental Rules to allow more effective processes for the collection of past due accounts. In addition, the fee for Non-Sufficient Funds (NSF) has been increased from \$25 to \$40 to closer reflect industry standards.

A review by the Department revealed that the major issue with non-payment of accounts as well as collections is due to incorrect information provided when new accounts are opened. When the Customer Service Division moved from a walk-in facility to a call center, information for accounts was collected electronically rather than in person. This has allowed customers to submit information that is either not correct or current, thus making it difficult to collect on past-due payments. The Department is working on a plan to require all new accounts to be conducted in person, to require a notary signature on all lease documents and will hire a data analysis firm to determine if information currently in our system is correct. If an account does not appear to have correct information on the customer, letters will be sent and the customer will be required to provide proper information in person.

Recommendation No. 2: The Department has been working diligently to revise operating procedures that minimize the length of time an account is past due and subsequent termination of service or removal of the metering device. Procedures have been implemented to physically lock the meter with a numbered tab to ensure water service that has been cut off is not re-instated by the customer. The Department is working with the billing software vendor to customize reports that will help with the identification of vacant accounts that have water use as well which allows quicker response for meter removal.

Recommendation No. 3: The Department will instruct Revenue Compliance to include all accounts in the collection process regardless of the amount of the account.

Finding and Recommendation concerning processing on Non-Sufficient Funds (NSF).

Other areas of this Audit included a review of NSF procedures and issues. The conclusion was that two methods of payment, KUBRA and CheckFreePay, were slow to process payments and notify Revenue of NSF issues. The Department has been reviewing alternative methods for on-line payments that will provide a more timely response if there is an NSF issue. The Department plans to implement new payment methods in the second quarter of 2015.



Timetable:

Recommendation No. 1: Implementation has begun with additional revisions to the Ordinance approved by Council in November, 2014. Procedures for new accounts and review of existing accounts are on-going and will be implemented by the end of first quarter 2015.

Recommendation No. 2: Implementation and development of procedures is on-going and will continue to be enhanced as needed.

Recommendation No. 3: Written instruction to Revenue Compliance by October 10, 2014.

Management Plan of Action from Revenue: We will work with W&S to make sure that the small amounts are sent to collections and to assist in any way we can to achieve the other recommendation in this area.

5. Solid Waste Landfill Past Due Accounts

Criteria: Collection of accounts receivable is critical to an entity's operations. Revenue is not available for paying expenses until it is collected. Establishing and enforcing credit limits, coupled with collection efforts, is an entity's most effective way of converting earned revenues into cash.

Condition: As shown in the chart below, over 60 days past due accounts have increased from about \$690,000 (37.24% of total due) on September 30, 2012 to about \$870,000 (39.64% of total due) on February 28, 2014.

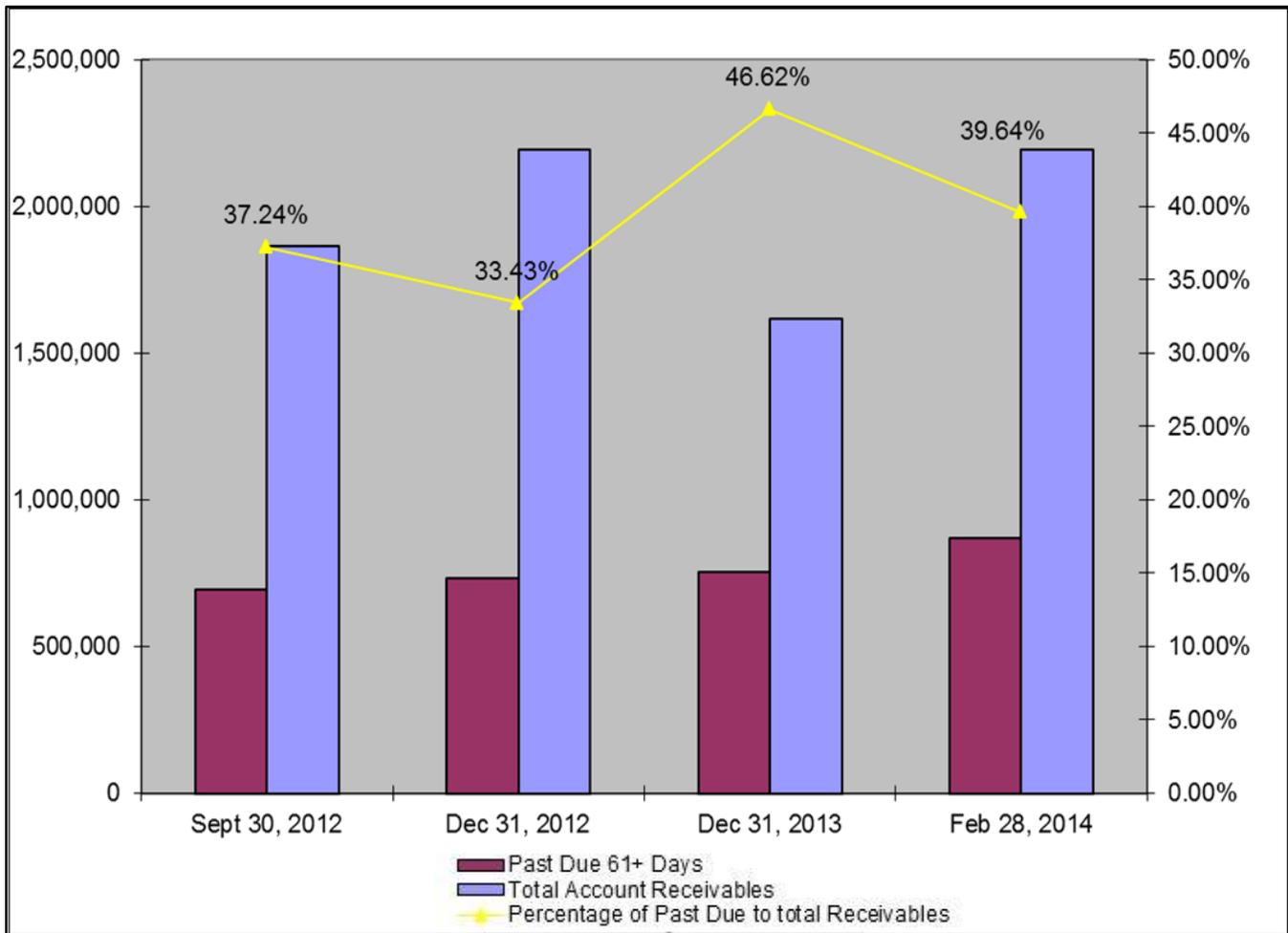
Accounts past due over 60 days has increased.

For the same time period, the total amount due has increased from \$1.8 million to over \$2.1 million.

Older accounts are more difficult to collect.

These values are all net of the old accounts recommended for write off, which are still being maintained on the books. (The Internal Audit report of the Public Works Solid Waste Landfill Division dated December 31, 2012 recommended \$177,000 in old accounts for write-off)

Money from the general fund must be used to cover the lost revenue of uncollected accounts.



Effect: The older an unpaid account becomes, the less likely it will be paid.

Cause: Management has not implemented and/or enforced credit limit and collection policies. This often results in large past due balances and write offs.

Recommendation: That management develop and implement policies establishing credit limits and pursuing collections of accounts. When implemented, management should enforce these policies. For those accounts that are presently seriously delinquent, management should make careful assessments of each one and make a concerted effort to collect them. As necessary, management should enter into payment plan agreements with these customers and then closely monitor their payment performance under the plan agreement. They should utilize the aid of the revenue compliance staff in support of these efforts to collect presently outstanding balances and minimizing new additions to delinquent status.

Management Plan of Action from Solid Waste: We agree with the recommendations, however, our approach to resolve the issue is to eliminate our current collection/payment system and implement a direct payment processing system through our existing Waste Works Software System. In other words, rather than implement and/or enforce credit limit and



collection policies we will implement a system (Power Pay) that collects payment at same time the customer uses the landfill, thus, eliminating any future credit or collections issues. We may retain the current system on very large accounts provided the account remains in a non-delinquent status.

Timetable: Our intent is to notify our users of the proposed changes and implement the system on or before July 1, 2015.

Management Plan of Action from Revenue: We will work with PW to help in the collections of their accounts receivable by working to improve the collection efforts and to monitor the status of their accounts.

6. Revenue Compliance Division Policies and Procedures

Criteria: Policies and Procedures should be clearly defined in writing, and maintained in a format that provides easy access for employees to view and to follow in their daily work. They should also provide understandable guidance for new employees in learning their responsibilities and duties, and for more seasoned employees when confronted with difficult or unusual circumstances. They should be updated periodically as the work environment changes and/or processes are modified or changed.

Condition: The policies and procedures provided during our audit are both out of date and incomplete and do not provide appropriate guidance for current operations.

Administrative Procedure 3-7 policies and procedures are outdated and directed toward a manual system. It is dated September 5, 1980 and has never been updated to take into account the sophisticated and highly automated procedures now in use. Most of the steps and procedures outlined in that document are not capable of accomplishment, yet remain in force today.

Effect: Employee training is less than optimal, as the documents guiding the operation of the Division are outdated. This often leaves employees struggling to cope with situations for which there is no readily available authoritative documentation to assist them. Much of the work is accomplished on the basis of “this is the way it’s always been done”, or “someone told me to do it this way” leading to inconsistencies in the way different employees address identical tasks or situations.

“This is the way it’s always been done”

“Someone told me to do it this way”

Training is often ad hoc.

Same tasks are being done differently by employees.

Policies and procedures do not provide guidance for current operations.



Cause: The lack of current, comprehensive Policy and Procedure Manual(s) in the Revenue Compliance Division leaves employees with little effective guidance in carrying out daily operations and coping with unusual and/or difficult situations. Training is inconsistent and often conducted on an ad hoc basis rather than a logically planned and guided structure.

Recommendation:

- ♦ Appropriate personnel at the Department and Division levels undertake the rewriting of the Administrative Procedure 3-7 at the earliest possible moment. The rewrite should result in an easily understood document that addresses and describes the receipting and posting process as it presently exists, and provides a methodology for updating it as the work environment and processes change. The Administrative Procedure should be developed and written from an overview perspective.
- ♦ The policies and procedures of the Revenue Compliance Division supporting and guiding the work of taking in payments and their receipting and posting, both to customer/taxpayer accounts and to the general ledger, be updated and expanded to cover as many of the tasks and situations as possible, while also providing the basis for training new personnel in those tasks. These more detailed policies and procedures should be supportive of the Administrative Procedure document and guide the implementation of these policies and procedures in ways that fulfill the requirements of that document and provide the basis for training new employees in the receipting process.

Management Plan of Action from Revenue: Response - The Revenue Division is currently in the process of creating a Training Manual for Cashiering Section. The manual will contain step by step instructions for posting and balancing procedures. After the implementation of the new accounting system, Administrative Procedure 3-7 will be rewritten and submitted for approval.

7. Outdated Equipment and Inefficient Procedures or Processes

Background: The cashiering facility includes a back room mail payments processing room, equipped with two OPEX "automated" mail opening machines, and a UNISYS multifunctional optical scanner/reader that reads and encodes the payments, scans the payment documents, and calculates the dollar value of the payments processed.

Criteria: Good customer service practices should be the focus of this section. The provision of alternative procedures to customers/citizens who find themselves in longer than usual (normal) waiting lines should be a priority. The automation equipment should operate in an efficient and error free manner. Operators of this equipment should not have access to other functions of the cash receipting and posting process. Employees in the Cashiering facility should be sufficiently trained that they are able to process all routine payments tendered them.



Condition: We observed a number of conditions with respect to equipment, long lines of people waiting to pay bills, task assignment and inefficient processes in the cashiering facility on the first floor and in the Revenue/Compliance offices on the sixth floor. These observations occurred during two full days spent in the cashiering facility, and numerous shorter term meetings and conferences in the Revenue/Compliance 6th floor offices.

Customer's waiting in line to pay. We observed long lines extending out of the cashiering area and spilling over into the building lobby, often numbering fifty or more persons in the building lobby alone.

Processing mailed checks. One of the *OPEX* machines is quite old, and less functional than the other. The *UNISYS* equipment is reported to be more than 10 years old and appears to suffer from significant misreads and stoppages. The volume of mail payments continues to grow, and the equipment was unable to complete its work timely on one of the two days we were observing the operation. This equipment, particularly the older *OPEX* machine, is less than optimal, although it was called into action in an effort to complete that day's tasks timely.

An employee from the Data Control section was assigned temporarily during that day to operate the older *OPEX* machine, so that both machines were operating during a significant portion of the day in an effort to keep up with the glut of mail.

At the time of our observation, the only cashier with more than six months of experience in that position with the City was a retiree called in temporarily to help with the rush of property tax payments.

We later observed that the Collections Supervisor and one Revenue Auditor were intercepting the Occupational License Tax (OLT) mail payments and verifying manually the amounts calculated and paid by taxpayers. They perceived that the inexperienced cashiers might be unable to properly and accurately verify and process the OLT payments.

Effect:

- ♦ Customer/taxpayer discontent with long wait times leading to short tempers, frustration and perception that the City fails to efficiently serve its citizens.
- ♦ The inability of the equipment to operate in an optimal manner creates bottlenecks, and impacts the ability to complete tasks within scheduled time frames, especially during peak seasons and times. Data Control personnel are tasked with ensuring data is properly entered at the cashier windows and in the mail receipting room. Assigning them, even temporarily, to the mail processing equipment places them in the position of approving work in which they participated; creating control issues and concerns.
- ♦ Intercepting the OLT receipts and verifying them manually in the Revenue/ Compliance Office was not only inefficient, but precluded a potentially productive training opportunity.



Cause:

- ♦ Losing the entire trained workforce six months or less from property tax time presented a significant challenge for management.
- ♦ Utilizing older equipment that is not operating at optimal levels adds to the inability to maintain work in a current status, creating morale problems and loss of productivity.
- ♦ Lack of comprehensive updated procedures contributes to the inadequate training and ensures that the process will continue to suffer from a lack of training into the future.

Recommendation:

- ♦ The Revenue and Cashiering Divisions not only update their Policy and Procedure Manual, but that they also include within it a comprehensive training section to preclude a future training problem such as was encountered this season.
- ♦ Other personnel within the Revenue and Cashiering Divisions be trained as backup on the various machines and tasks in cashiering and mail receipting so that personnel tasked with verifying the data entered in these areas are not assigned these tasks temporarily.
- ♦ The City consider installation of a secure drop box within the Government Plaza lobby for the convenience of citizen/taxpayers who are paying by check and do not require a receipt. This might reduce lines significantly during peak times and seasons (such as Property Tax), while reducing taxpayer discontent with long lines and waiting time. Payments placed in the lock box could be retrieved at differing times during the day and processed during periods of low activity at cashier windows, or even in the cashiering back office while cashiers at the counter continue to serve citizen/taxpayers in line.

Management Plan of Action from Revenue: The Data Control section will no longer assist in opening mail, however that section will continue to assist the Cashiering section during peak seasons by adding payment stubs. This will allow the cashier to continue waiting on customers instead of closing the payment window to balance. The Revenue Division is currently in the process of reviewing new software for payment and deposit processing.

Prepared by:

A handwritten signature in blue ink that reads "S. Ben Hebert".

S. Ben Hebert, CPA, CFE, CMA, CISA, CLAA, CGMA
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Approved by:

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