

OFFICE OF THE CITY AUDITOR AND CLERK
INTERNAL AUDIT



UTILITIES BILLING REVENUE & CASH HANDLING

AUDIT #20-08

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A handwritten signature in blue ink that reads "Shayla Griggs". The signature is written in a cursive style.

Shayla Griggs, City Auditor and Clerk

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Executive Summary

Audit #20-08 Utilities Billing Revenue & Cash Handling

Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of the City of Sarasota's Utilities Billing Revenue & Cash Handling.

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of Utilities Billing cash receipts.

The scope of this audit included a review of current Utilities Billing and cash receipt procedures, activities, processes and management review from October 1, 2018, to September 30, 2019.

Audit Objectives

- 1) Determine if Utilities Billing internal controls are operating as intended for safeguarding cash collections.
- 2) Determine if Utilities Billing customer payment receipts are properly recorded, deposited and reconciled.

Summary Background

Utilities Billing is responsible for the billing and collection of fees for water, sewer and solid waste services provided by the city. Utilities FY 2019 total billed services were approximately \$58,000,000.

Summary of Conclusions

The results of our audit indicate that Utilities Billing controls are in place and functioning as intended.

- Utilities Billing internal controls appear to be operating as intended for safeguarding cash collections.
- Utilities Billing receipts were generally properly recorded, deposited and reconciled.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report Audit

#20-08 Utilities Billing Revenue & Cash Handling

Background and Introduction

Sarasota's Utility Department provides water, sewer, and solid waste collection for city residents and a few neighboring locations. The Utilities Billing office is responsible for the billing and collection of all Utility's customer payments. The Utilities Billing Office is normally staffed by four cashiers to received payments and assist with customers inquiries Monday through Friday.

Payments are received through multiple sources:

1. Payment in person at billing office - immediate payment recognition on billing software
2. Mail in bottom tear off remittance on the bill - payment received in lockbox
3. Payment by IVR phone - immediate payment recognition on billing software
4. Payment on web portal - immediate payment recognition on billing software
5. Express Pay - ACH payment process debits customer checking or savings account electronically on the bill due date
6. Billing Office PO Box - mail collected daily, payment applied to customers account
7. Billing Office outside drop box - collected daily, payment applied to customer account
8. Payment at any Amscot location - payment batch received next business day

Each cashier completes an end of day report for all payments received. Daily receipt totals are reviewed and summarized by the on-site financial accountant before forwarding to the Financial Administration Department (FAD) for conversion and automated posting into FMS the City's accounting software. Additional cash receipts not included in the automated postings for overages, shortages, and permits are entered by Utilities Billing staff. FAD staff confirms Utilities Billing cash deposit entries against the bank deposits.

Utilities Billing utilizes Central Square billing software and Excel spreadsheets to track daily customer payments.

Utilities FY 2019 total billed services were approximately \$58,000,000.

Audit Purpose, Scope and Time-period

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of Utilities Billing cash receipts.

Audit scope included current Utilities Billing cash receipt procedures, activities, processes and management review.

The time-period of this audit was October 1, 2018, to September 30, 2019.

Audit Objectives

The audit focused on the following objectives:

- 1) Determine if Utilities Billing internal controls are operating as intended for safeguarding cash collections.
- 2) Determine if Utilities Billing customer payment receipts are properly recorded, deposited and reconciled.

Audit Standards

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

Testing Methodology

- Interviewed appropriate Utilities Billing personnel;
- Performed site visits of the Utilities Billing office;
- Observed physical security in place in and around the Utilities Billing office;
- Observed box office cashiers' check in and end of shift cash out including manager's review;
- Evaluated compliance with City and Utilities Billing office cash handling instructions;
- Reviewed Utilities Billing office user access to cash receipts software, as applicable;
- Evaluated segregation of duties concerning cash handling and reporting;
- Reviewed daily cash reconciliations and adjusting journal entries for sample test counts;
- Reviewed the cash receipts systems for adequate controls and safeguards.
- Performed sample test counts and verified cash receipts to the City's accounting software (FMS) and bank statements to assure accuracy, completeness and existence of items;
- Evaluated management's oversight of the daily cash receipts reporting process.

To achieve the audit objectives, sampling techniques were utilized to select a random testing sample of daily Utilities Billing receipts throughout the 12-month testing period.

Audit Criteria

- Utilities Billing cash handling policies and directives
- City of Sarasota Administrative Regulations and Municipal Codes
- Government Auditing Standards (GAO) "General Standards for Preparing Accounting Records and Financial Standards"

Noteworthy Accomplishments

- Separation of duties relating to the collection of funds was implemented.
- Deposits were consistently made in a timely manner.
- No cash discrepancies were identified.
- Utilities Billing staff appear to be following the secure banking protocols implemented with the use of the 5th/3rd Banking system.

Audit Observations and Testing

For **objective one**, we determined that controls are in place and functioning as intended to provide reasonable assurance for the safeguarding of cash collections.

For **objective two**, we determined that Utilities Billing receipts were generally properly recorded, deposited and reconciled, with an opportunity for strengthening controls over reconciliations identified.

Observations and Recommendations

- For the first three months of FY 2019, monthly reuse revenues in FMS did not agree to amounts of the monthly billing worksheets. Reuse revenues were posted to the wrong General Ledger (GL) account for these months. Subsequent months were posted correctly. After being identified by Internal Audit, a \$218,810 adjustment was made to reclassify the funds to the correct GL account.

Internal Audit recommends a monthly reconciliation be performed between billed amounts and amounts that are recorded in FMS. Performing a month end reconciliation between billing software and FMS could identify differences, if any, and reduce the risk that amounts are recorded incorrectly and not detected.

Management Response

- The process has been implemented effective Oct. 1st. The appropriate GL codes have been identified for the regular billing, special pick ups and manual adjustments. A spreadsheet has been created and monthly reconciliations are being done.

Final Comments

We would like to thank Utilities Billing personnel for providing their time and assistance during this audit.