

OFFICE OF THE CITY AUDITOR AND CLERK
INTERNAL AUDIT



RIGHT OF WAY PERMIT CASH RECEIPTS

AUDIT #21-06

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

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Executive Summary

Audit #21-06 Right of Way Permit Cash Receipts

Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of the collection and receipt of right-of-way (ROW) permit fees.

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of Engineering's ROW cash receipts. The scope of this audit included a review of Engineering's payment and cash receipt procedures, activities, processes and management review.

The audit period was October 1, 2018 to September 30, 2020.

Audit Objectives

1. Determine if Engineering's internal controls are operating as intended for safeguarding cash collections.
2. Determine if Engineering's customer payment receipts are properly recorded, deposited and reconciled.

Summary Background

ROW permit charges are calculated by the Engineering Division of the Public Works Department and tracked on internally developed Excel worksheets. Development Services Department (DS) accepts and processes payments for building permits and inspection fees for their department in addition to ROW fees for Engineering. DS prepares their daily fee receipts report for all fees collected at the end of each day, including Engineering ROW permit payments, that is batched nightly into the city's accounting system, FMS.

Summary of Conclusions

The audit identified opportunities to strengthen controls over monitoring, reconciling, and documenting the ROW fee payments.

Testing identified the following:

- Engineering's controls appear to be operating effectively for the safeguarding of cash collections with the exception of reconciliations, see Objective 2 for reconciling, reporting and monitoring recommendation.
- Backup attached in FMS does not provide sufficient support to determine if ROW payments were properly recorded, reconciled and reviewed. All deposits included in audit testing appear to have been made in a timely manner. Audit testing did not identify any ROW fees assessed at incorrect amounts or applied to the wrong applicant.

At the conclusion of the audit management set a timeline for implementing controls to support amounts in FMS along with performing reconciliations and reviews of ROW permit fees.

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

#21-06 Right of Way Permit Cash Receipts

Background and Introduction

The City of Sarasota (City) Right-of-Way (ROW) permit fee charges are set forth in city ordinance 13R-2326. ROW permit applicants pay a daily fee for closing or obstructing streets or alleys, public parking spaces, sidewalks, and parkways, medians or unimproved areas, as set forth in city ordinance 13R-2326. The Engineering Services Division of the Public Works Department is tasked with calculating ROW permit charges for permits within the city. Engineering tracks and calculates ROW fees with an internally developed Excel worksheet. These worksheets contain documentation for each project, permit, or related series of permits. The actual payments for these fees are processed by the Development Services Department (DS).

Engineering and DS use FTG software to capture permitting fees paid to the City. ROW permits fees are keyed into FTG by Engineering and then permit applicants are taken to DS for processing of payments. At the end of the day DS prepares their permit fee receipts report capturing all payments received for permits for that day, including Engineering's ROW permits. These end of day reports are batched nightly into the city's accounting system, FMS. Applicants can also submit credit card payments online for a small convenience fee.

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 Engineering's ROW cash receipts. The scope of this audit included a review of Engineering's payment and cash receipt procedures, activities, processes and management review.

The audit period was October 1, 2018 to September 30, 2020.

Audit Objectives

The audit focused on the following objectives:

1. Determine if Engineering's internal controls are operating as intended for safeguarding cash collections.
2. Determine if Engineering's 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 personnel from, Engineering, Development Services and Finance to gain an understanding of the duties of each department;
- Obtained and reviewed a sample of Engineering ROW files;
- Obtained and reviewed a listing of ROW payments collected to determine sample size and select a sample;
- Compared FTG daily payment software entries to FMS accounting software entries;
- On FMS accounting entries, reviewed cash, checking and credit card entries where available;
- Reviewed provided documentation for indications of supervisory approval of submitted documents;

To achieve the audit objectives, sampling techniques were utilized to select a random testing sample and auditor selected samples of the ROW fee payments throughout the 24-month testing period.

Audit Criteria

- City of Sarasota Administrative Regulations and Municipal Codes
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”

Audit Observations and Testing

After permit fees are calculated, customers provide cash, checks or credit cards to Engineering staff who take the method of payment to cashiers at DS (DS and Engineering are in the same building). Engineering staff return to Engineering and return any customer credit cards and payment receipts to the permit applicants. Engineering staff then log payment information into FTG software.

There is also an online option for customers to make payments. Credit cards and online payments have small convenience fees for their usage.

If Engineering fails to log a customer payment into FTG they are contacted by DS at the end of the day to resolve any apparent shortages or missing payments. If Engineering is not contacted by DS at the end of the workday, they assume all ROW payments have been correctly processed. Engineering does not make any further reviews or tracking of customer payments or DS payment entries after submission.

DS includes ROW fees received in their daily receipt totals for all permits. All payments are listed in FTG software by date, amount, payment type, city employee initiating the transaction, permit application number, property ID and permit type. All payment information is batched nightly into the city's FMS accounting system according to their mapped accounts. Engineering payments are not separately identified to provide daily subtotals within FMS.

ROW payments are not separately subtotaled within the daily FTG cash receipts report. Only payment types – cash, check, credit card or web payments are separately identified. Earlier Lotus Notes software entries included separate identifiers for permit type. These identifiers appear to have been consolidated into a single summary FTG software entry.

During parts of 2019 and into 2020, with the transition from Lotus Notes to FTG software, ROW fee payments were inadvertently applied to a different account for Engineering plans review and not ROW fee payments. This was later identified and corrected prior to the initiation of this audit.

The audit did not identify any Engineering fee payments received that we were unable to locate within the FMS accounting system.

For **objective one**, we determined that internal controls are split between two departments — Engineering and Development Services. Engineering assesses the ROW fees to be charged and enters payment information into FTG. Development Services collects the payments, provides receipts and deposits the funds. Overall, we determined that Engineering’s controls appear to be operating effectively for the safeguarding of cash collections with the exception of reconciliations, see Objective 2 for reporting and monitoring observation and recommendation.

For **objective two**, we determined that backup attached in FMS does not provide sufficient support to determine if payments were properly recorded, reconciled and reviewed. All deposits included in audit testing appear to have been made in a timely manner. Audit testing did not identify any ROW fees assessed at incorrect amounts or applied to the wrong applicant.

Observations and Recommendations – Reconciling, Reporting and Monitoring

ROW daily cash reports are not subtotaled, reconciled or reviewed from FTG to FMS.

After the conversion from Lotus to FTG, DS was no longer generating reports listing permit revenue by type. Instead, all checks, cash and credit card payments for the day DS processes, including those from Engineering, are prepared and included as support. For example, FMS ROW revenue for April 28, 2020 has \$3,025 recorded in FMS, however the support in FMS shows credit card settlements totaling more than \$8,000 and checks of \$40; there are no daily FTG close out reports included. This support does not make it possible to determine which permits should be recorded as ROW revenue. There are no reports generated to reconcile against what was entered in the FMS accounting system. Internal audit was able to have the city’s IT department work with FTG staff to prepare an FTG report for ROW revenue only. In the example used above, the auditors were able to agree the \$3,025 recorded in FMS to the FTG report prepared by IT and FTG staff. The FTG reports prepared by IT and FTG staff were used throughout this audit to agree amounts in FMS to FTG ROW revenue and select specific permits for additional testing.

We did not identify any supervisory review or confirmation of ROW payments being correctly recorded in FMS. There is a daily reconciliation between payments received and FTG in total, but not by individual permit type.

It should be noted that DS does agree total sales in FTG to total payments received daily, but there is no subsequent reconciliation and review from FTG confirming FMS entries.

Internal Audit recommends DS prepare and forward a daily FTG cash receipts report listing of ROW payment transactions to Engineering. Engineering should review and compare the FTG cash receipts report with the ROW payment transactions and resolve any discrepancies in a timely manner, if applicable. Engineering should also review FMS accounting entries of ROW permit fees to confirm payments are recorded to the correct account within FMS on a monthly and annual basis. DS daily cash receipts reports should separately identify and total revenue received by permit type.

Management Response

Downtown Engineering Staff will reconcile receipts daily to reports provided by Development Services from the FTG system. Monthly PW administrative staff will reconcile FTG reports to funding that has been recorded in FMS. This is to be implemented by April 30, 2021.

Audit Conclusions

DS does have procedures in place to reconcile permit revenue in total and Finance does have controls in place to reconcile cash collections to the city's bank account. However, areas were identified above that will improve the effectiveness of controls over reconciling, reporting and monitoring at the department level. While none of the observations identified or indicated potentially fraudulent activity, DS, Engineering and Finance should determine if the recommendation above provides the opportunity to strengthen controls and mitigate risk over the cash receipting process.

We would like to thank Engineering, Development Services, IT and Finance personnel for providing their time and assistance during this audit.