

INTERNAL AUDIT DEPARTMENT

INTEROFFICE MEMORANDUM

Date: September 21, 2010

To: Honorable Mayor Ronald Jones

Members of the City Council Members of the Audit Committee

cc: Jeff Janke, Director of Retail Customer Service

Kevin Slay, Customer Service Director

From: Craig Hametner, City Auditor

Subject: Customer Service Billing and Collections Audit – Follow-up

This is a follow-up of the report "Customer Service Billing and Collections Audit" issued on July 15, 2009. The original audit included testing of procedures assessing management controls, such as reviewing segregation of duties, checks and balances, accurate utility billing, proper revenue reporting, compliance with laws, regulations, City ordinances, and professional service agreements. The follow-up audit was not intended to be a detailed study of every relevant system, procedure, and transaction. We were to review previous audit findings and make sure recommendations were implemented.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that 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 our findings and conclusions based on our audit objectives.

Finding #	Finding	Recommendation	Management Response	Follow-up	Implementation
	paying the State for sales tax on accounts that have been written off.	continue to pursue a credit from the State for overpayment of sales taxes, going back 4 years as the statute of limitations allows. B. Finance Department update the sales tax payment process in order to ensure that erroneous overpayments do not occur in the future.	Service and the Finance Department have recently implemented process changes to address this opportunity. The Customer Service Department will provide Finance with any additional support or related information concerning sales tax refunds. Financial Services has filed amended sales tax returns and requested	A. The Finance Department requested a sales tax refund for the period 10/01/2005 through 1/31/2009 from the Texas Comptroller of Public Accounts office. The refund check was issued on November 3, 2009 in the amount of \$39,232.59. B. A new billing system process is now implemented which correctly maps the sales tax write off to the correct accounting code. This ensures that the tax liability is properly reduced by the write off amounts. Successful tests were conducted in September 2009 to satisfaction. The City is no longer paying the state sales tax for accounts that have been written off due to implementation of the new write off code in the Customer Service Utility Information System (Banner).	Fully Implemented

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2	•	Customer Service Director implement a method whereby the customer would pay the credit card transaction fee if they chose to pay by credit card.	third party credit card processing companies should be completed in June 2009. Implementing a credit card payment system that will assess a transaction fee should be in place by mid August 2009.		

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	sending accounts to the Collection Agency in a timely manner and in accordance to policy.	department is in compliance with Section 4.51 of the Write-Off policy and Section 1 of the Utility Collection Services agreement with MSB. Customer Service needs to send all accounts that become 90 days of age, immediately to the Collection Agency, in order to increase the collection percentage. The process of transferring write off accounts to MSB should be automated so that all accounts over 90 days of age are forwarded on a	department has resources available to process this task on a monthly basis. The recent addition of a new staff member assigned to this area should result in a more frequent rate of transferring write-off accounts. We have also identified a potential process change which should further expedite the transfer of accounts to MSB. A renewed focus will be placed on this opportunity and discussions are underway to determine the feasibility of automating this process.	, ,	

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Servinot mor perf	rvice does have a nthly formance ort on ection and l ng.	department develops a monthly report that provides information on the amounts collected and billed to track performance, evaluate	similar report is being provided at the end of each fiscal year. We are evaluating the possibility of modifying the report and requesting that it be processed on a monthly basis.	·	Fully Implemented

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	Account Finalization process needs improvement.	A. Evaluate the process of assessing utility charges to an account after an account has been finalized. Management needs to determine the most effective way to collect these charges without extending the time period for the write-off process. B. Ensure that the customer deposit is applied to the account before the department issues the final bill to the customer. Procedures related to the application of a customer's deposit to an outstanding balance should be documented in	been assembled to review the entire final bill and deposit application process. This team will develop a system to ensure that write-off's are initiated as efficiently as possible. On rare occasions it may be necessary to apply charges to a final bill such as the discovery of a meter reading error or the unauthorized use of services. A daily report to identify inactive accounts that have unapplied deposits has recently been developed to identify any system errors which might occur. This will allow for a much quicker response related		

Finding #	Finding	Recommendation	Management Response	·	Implementation
	Statement on Auditing Standards (SAS) No. 70 Audit provides no assurance that sensitive customer information is adequately protected.		be added to the next contract.		Partially Implemented

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	Service failed to renew the contract agreement with Fidelity Express following contract expiration date.	should ensure that the department: A. Renew the contract agreement with Fidelity	recently filed with the City Secretary's Office and the contract expiration date has been posted on our internal calendar.	City and Fidelity Express was signed on April 23, 2004. According to the	B. Fully implemented