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**Audit of  
The Department of Public  
Works Billings and  
Receivables**

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**MARTIN MATSON**  
City Comptroller  
City of Milwaukee, Wisconsin

May 2012

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**Martin Matson**  
Comptroller

**John M. Egan, C.P.A.**  
Special Deputy Comptroller

Office of the Comptroller

May 8, 2012

To the Honorable  
The Common Council  
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of the Department of Public Works Billings and Receivables. The objectives of the audit were to evaluate the timeliness and accuracy of the recording of the billings, collections, and receivables in all software used by the Department of Public Works and the City's general ledger and to evaluate the adequacy of controls over the Department of Public Works billing and receivable procedures for code violations and property damage.

The audit determined that there are opportunities for improvement in the processes and controls for billings and receivables. The Department has defined procedures in place for preparing invoices, posting payments, depositing funds, and monitoring the collection of receivables. This audit makes nine recommendations to further strengthen controls.

Audit findings are discussed in the Audit Conclusions and Recommendations section of this report, which is followed by the Department of Public Works response.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Department of Public Works.

Sincerely,

MARTIN MATSON  
Comptroller

## **I Audit Scope and Objectives**

The audit examined procedures and controls over the recording of the billings, collections and receivables of the Department of Public Works (DPW). The audit examined procedures and controls for recording depositing cash and checks with the Office of the Treasurer. The audit also examined procedures and controls for transferring unpaid special assessments to the property tax bill.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Office of the Comptroller believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

The scope of this audit included all billings for code violations and property damage prepared by DPW. The scope of this audit excluded all billings for solid waste collections, parking operations, Water Works and any grant revenue received by DPW and any intragovernmental billings.

Audit procedures for this report were conducted for the timeframe of the year 2011. The audit utilized reports and documents from DPW's Special Assessment Software (the System) and the City's accounting system, the Financial Management Information System (FMIS).

The objectives of the audit were to:

- Evaluate the timeliness and accuracy of the recording of the billings, collections and receivables in all software used by the Department of Public Works.
- Evaluate the adequacy of controls over DPW's billing and receivable procedures for code violations and property damage.

## II Organizational and Fiscal Impact

The DPW – Operations Division is responsible for collection of solid waste and abatement of nuisance garbage, recycling program, street sweeping and leaf collection, snow and ice control operations, protecting the urban forest from destructive pests and replacing diseased trees, and operating and maintaining DPW’s centralized fleet of motor vehicles and related equipment.

The DPW - Operations Division prepares invoices for snow removal – public walkways, solid waste – cart violations, weeds and lawns, skid/bulky pick-ups, encroachments – overhangs of trees and bushes and electronic waste using the System. The Operations Division also prepares invoices for damage to City owned trees using the City’s accounting system, FMIS.

The DPW – Administrative Services Division is responsible for providing support services for DPW in the areas of finance and planning, payroll, employee safety and contract management. This division is also responsible for server/desktop computing, application development and telecommunications infrastructure for DPW and the City.

The DPW - Administrative Services Division prepares invoices for Milwaukee Police Department (MPD) ordered board-ups which is a service performed by the Infrastructure Services Division using the System. The DPW - Administrative Services Division also invoices for repair services performed by the Infrastructure Division for damages to City property by utilities, contractors, vehicles, and damage to call boxes using FMIS.

DPW – Administrative Services receives payments for MPD ordered board-ups. DPW-Operations Administration receives payments for all other violations. The Treasurer’s Office receives payments for damages to City property by utilities, contractors, vehicles, and damage to call boxes.

Invoice balances for lawn and weeds, encroachments, board-ups, skids/bulky pickups, snow removal, solid waste-cart violations, and electronic waste not paid by current year are placed on the property tax bill as a special assessment. Invoices for damages to City property by utilities, contractors, vehicles, and damage to call boxes which are not paid within 45 days, are sent to collection.

For the calendar year 2011, the total billed for all invoices prepared by DPW-Administrative Services and DPW – Operations – Administration was \$3,966,932. The total invoices prepared using the System was \$2,312,098. The total invoices prepared using the System which became

special assessments and were paid was \$1,743,702 and \$437,700 respectively which is 75% and 19% respectively.

### **III Audit Conclusions and Recommendations**

Accounts Receivable controls provide management with assurance that billings are accurate, and that transactions are processed and recorded properly. Appropriate controls ensure proper segregation of duties.

There are opportunities for improvement over the processes and controls for billings and receivables in the Department of Public Works. This audit makes nine recommendations to further improve controls. Three of the recommendations relate to weaknesses identified in the System. Six of the recommendations relate to further improvements to the billing, collection, and receivable processes.

#### **A. Special Assessment Systems Controls**

The audit examined the system controls as well as the access rights to all of the features that employees of Administrative Services and Operations – Administration are assigned.

##### *Access Authorization*

The audit found that access to the System is requested through an informal phone call, email, or helpdesk ticket. Manager approval is communicated but the request and approval are not formally documented. A terminated employee has access to the system until removed from HRMS PeopleSoft active user list by the City's IT Management Division.

##### **Recommendation 1: Formal access request should be established**

A formal access request process should be established and an access request form should be completed for adding, changing, or removing access to the system. This form should also document manager approval. This would alleviate the risk of individuals having conflicting rights within the system.

The audit found that one user has two user identifications and two sets of access rights.

##### **Recommendation 2: Unneeded access should be removed**

As determined by the audit, users with more than one user id/group should be removed. This would increase accountability and eliminate any user's rights which may be a violation of segregation of duties.

### *Segregation of Duties*

The audit found that a DPW – IT programmer performs business functions once a year. The programmer changes the status of invoices to assessed, bankrupt and foreclosed once a year. These activities violate standard segregation of duties roles.

### **Recommendation 3: Business functions should not be performed by a programmer**

Business functions should not be performed by a programmer. However, active management review should include reconciliation and a report of items to be changed. A written sign-off for these activities should be required. This documentation would provide evidence of management authorization of the change of status of a receivable. This would also mitigate the violations of the segregation of duties.

## **B. Controls over Billing, Collections, and Receivables**

Audit procedures performed were to gain a thorough understanding of the invoicing, collections, and receivable processes. This was done by performing walkthroughs of the various processes to identify controls. The audit disclosed that there are few controls over billings, collections and receivables. One control was found over making adjustments to invoices that were prepared in FMIS to be well designed. A further test of details was also performed to gain more assurance over the processes.

During the audit, the following were observed as areas for improvement over the billing, collections and receivable processes.

### *Segregation of Duties*

The audit found that individuals preparing invoices also receive walk-in payments, receive mail-in payments, post payments, deposit funds and monitor the collection of invoices.

### **Recommendation 4: Segregate Accounts Receivable responsibilities**

DPW should separate these responsibilities to different individuals. If this is impractical, active management review and written sign-off for these activities must be required. Also, a receipt book should be used for walk-in payments which should be reconciled by a different individual at least once a month. This would alleviate any segregation of duties violations.

### *Incomplete payment information recorded*

The audit found that check information is not recorded in the System. To record payments for

board-ups in the System, the status of the invoice is changed to “PAIDOFF”. For payments received for other services, there are data fields to enter the check number, check date and payer. A report can be run showing the information entered to support the deposit. No such fields exist in the board-up screen. Therefore, no reports can be run to support the deposit.

**Recommendation 5: Record all payment information in the System**

DPW should create data fields in the board-up screen to allow the payment information such as check number, check date and payer, to be entered. This would provide consistency within the System and improve tracking of receipts for payments.

*Payment Posting*

Audit testing revealed that payments were not posted in FMIS timely or taken to the Treasurer’s Office timely.

**Recommendation 6: Record and deposit payments received weekly**

Payments should be recorded and deposited, at a minimum, on a weekly basis. Timely recording reduces the amount of lost interest on deposits. Timely recording of revenue on the City’s general ledger ensures more accurate information for financial user purposes.

*Review of Aged Accounts Receivable report*

The audit found that a report of the outstanding invoices from FMIS that have not yet been sent to collections is downloaded and analyzed daily. There is no evidence management review is occurring.

**Recommendation 7: Management should document monitoring of Aged Accounts Receivable**

The review of this report needs to be documented by a signature and date. This would provide an audit trail of management review of the outstanding accounts receivables.

*Computer Systems*

DPW uses two systems to prepare invoices: FMIS and the APPS Special Assessment System. The invoices prepared in FMIS are for damages to City property. These invoices are sent out and collected by the Treasurer’s Office. The invoices prepared in the System are for code violations. These invoices are sent out, collected and deposited by DPW staff. Payment information and any other pertinent data is manually entered into the System. During these processes, errors could occur.



**Recommendation 8: Integrate DPW's billing and collection systems with FMIS**

DPW should examine the feasibility for integrating the System with FMIS. Control over input data could be improved by adding an automated interface with FMIS, replacing manual data entry. The reduction of manual data entry would reduce the opportunity for errors. Restricting the data to that coming from another system would reduce opportunities for manipulation of the data for unauthorized purposes.

*Formal Policies and Procedures*

DPW has procedures for preparing invoices, posting payments, depositing funds, and monitoring outstanding receivables. These procedures are not formally documented.

**Recommendation 9: Develop a formal Policy and Procedures Manual**

DPW should develop a formalized Policy and Procedures Manual. The Policy and Procedure Manual should include major goals and standards governing billing and collection for specified services. The manual should also include written set of procedures covering the entire billing and collection process for all applicable DPW services. A formal Policy and Procedures Manual would establish consistency and rules to adhere to for all DPW staff.



Department of Public Works

**Ghassan Korban**  
Commissioner of Public Works

**Preston D. Cole**  
Director of Operations

May 8, 2012

Martin Matson  
Comptroller  
City Hall, Room 404

Re: Response to Audit of the Department of Public Works Billing and Receivables

Dear Mr. Matson,

Thank you for your audit of The Department of Public Works (DPW) Billing and Receivables. DPW appreciates the opportunity to work with your staff during the audit and values the audit's recommendations for improving DPW's billing and receivable processes.

We have reviewed the audit and offer the following responses to its recommendations:

**Recommendation 1: Formal access request should be established**

*DPW management will submit a signed and dated authorization letter granting staff access to its computer software application for special assessment billing. This letter will be kept on file and will be reconciled with the access accounts for the application.*

**Recommendation 2: Unneeded access should be removed**

*DPW management will approve, by signature, removal of special assessment billing application access for employees that no longer require access to the application due to change in employee responsibilities or termination of employment..*

**Recommendation 3: Business functions should not be performed by a programmer**

*DPW's computer programmers perform changes to accounts stored in the special assessment computer application only upon the direction of DPW management. Typically, programmers change account information only in instances when changes are made en masse using the billing software functionality. An example of this includes identifying properties with delinquent payments for referral to the property tax roll at the end of the calendar year. DPW will document management authorization and reconciliation of changes to the special assessment accounts.*

**Recommendation 4: Segregate Accounts Receivable responsibilities**

*DPW will review assignment of duties to ensure their segregation. In instances where complete segregation is impracticable, DPW will implement management review and authorization of activities.*

**Recommendation 5: Record all payment information in the system**

*DPW has begun using the comments field in the special assessment billing software application to record check number and payer. DPW will add a field for deposit date that will be used to generate a report of accounts that will be reconciled to the weekly deposits.*

**Recommendation 6: Record and deposit payments received weekly**

*It is currently DPW's policy to deposit payments on a weekly basis. DPW will implement procedures to ensure that it adheres to this policy.*

**Recommendation 7: Management should document monitoring of aged accounts receivables**

*DPW staff currently runs reports of outstanding invoices and review them on a daily basis. On a weekly basis, this report is submitted to the city's collections contractor, the Kohn Law Firm. Management will authorize and retain copies of the weekly reports.*

**Recommendation 8: Integrate DPW's billing and collection systems with FMIS**

*Due to the time consuming process by which invoices are created and cancelled in FMIS, entering over 20,000 DPW special assessment billings in FMIS annually would not be practicable.*

**Recommendation 9: Develop a formal Policy and Procedures Manual**

*DPW will develop a billing and receivables "Policy and Procedures" manual, as recommended.*

Thank you again for your time and consideration during this audit.

Very truly yours,



Ghassan Korban  
Commissioner of Public Works