

Memorandum



CITY OF DALLAS

Date: April 23, 2004

To: Honorable Mayor and Members of the City Council

Subject: Follow-up report of the March 15, 2002, *Performance Audit of the Process and Procedures for Accounts Receivable and Non-sufficient Funds Checks*, Report # 353.

We conducted this follow-up report under the authority of Chapter IX of the City Charter and according to applicable government auditing standards. We included tests of records and reviews of program guidelines and procedures that we considered necessary in the circumstances.

Our objective was to determine whether management had implemented our recommendations or taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original report contained five findings with eight recommendations. Management implemented one recommendation, partially implemented six recommendations, and did not implement one recommendation.

1. **AD 2-1 has not been consistently applied.** *We recommended that the Director of Financial Services:*

- Establish the time period of the annual review and incorporate it into AD 2-1.
- Establish internal controls to ensure directors annually review each AD issued by their departments.

Management concurred, however AD 2-1 is in the process of being revised. (Not Implemented)

2. **AD 4-11 needs updating.** *We recommended that the Director of Financial Services:*

- Incorporate the recommended procedures for processing NSF checks into AD 4-11. (Implemented)

3. **Recorded accounts receivable balances are outstanding.** *We recommended that the Director of Financial Services:*

- Review the outstanding balances noted on the previous page and throughout other departments to ensure that the accounts receivable balances accurately reflect potential revenue realization.

Management stated that they would review the account listings on a semi-annual basis and recommend to departments proper action for the dormant accounts (i.e., establish or increase allowance or write off). Management provided a partial list of departments, which reflected some progress in getting up-to-date information on accounts receivable aging and collections. Financial Services has concluded training sessions with each department. (Partially Implemented)

4. **Department accounts receivable balances do not match amounts reported on the City's Comprehensive Annual Financial Report (CAFR).** *We recommend that the Director of Financial Services:*

- Ensure that accounts receivable balances noted on the CAFR are supported by department verification data. Identify which departments are not adhering to the basic policies of periodic accounts receivable reconciliation; aid in the development of procedures to accomplish periodic reconciliations; periodically review implementation of the procedures and report department progress.

Management concurred. A memo was sent to each City department, however all departments have not responded. Financial Services has initiated training sessions with each department. (Partially Implemented)

5. **The process of uncollectible accounts by the City Attorney's Office needs improvement.** *We recommend that the City Attorney:*

- Ensure that receipts are issued to departments that forward uncollectible account documentation.
- Consider centralizing the inflow of uncollectible account documentation to a limited number of personnel.
- Design a formalized method to:
 1. Track the receipt, progress, and end result of uncollectible accounts.
 2. Periodically notify departments of the account status.

The City Attorney's Office implemented procedures addressing the recommendations, however, they did not maintain all referred items on the tracking system. (Partially Implemented)

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