

# OFFICE OF THE CITY AUDITOR

## AUDIT OF THE CITY ATTORNEY'S OFFICE PROCESS FOR HANDLING DELINQUENT ACCOUNTS



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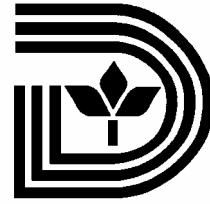
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**April 23, 2004**

## Memorandum



CITY OF DALLAS

April 23, 2004

Honorable Mayor and Members of the City Council  
City of Dallas

We have conducted an audit of the City Attorney's Office (CAO) process for handling delinquent accounts greater than \$1,000 referred by City departments. During the audit period 142 cases, totaling in excess of \$11 million dollars, were referred to the CAO.

In our opinion, the CAO promptly handles referred delinquent accounts. However, Administrative Directive (AD) 4-10 is not achieving its stated objectives. Various departments' procedures do not comply with AD 4-10, and departments contacted are not timely in referring past due delinquent amounts to the CAO. Additionally, the CAO can improve procedures for tracking, reporting, assessing cost, efficiency and effectiveness of its collection efforts.

These concerns are discussed in the Opportunities for Improvement section of this report.

We appreciate the cooperation of City staff during our examination.

*Thomas M. Taylor*

Thomas M. Taylor, CPA  
City Auditor

c: Teodoro J. Benavides, City Manager

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## Audit of the City Attorney's Office Process for Handling Delinquent Accounts

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## EXECUTIVE SUMMARY

We have conducted an audit of the City Attorney's Office (CAO) process for handling delinquent accounts, greater than \$1,000, referred by City departments. Our audit period was October 1, 2001 through June 30, 2003.

As a result of our inquiries, observations, examinations, and tests, we conclude that the CAO promptly handles referred delinquent accounts, and has developed a tracking system for some referrals. However, most departments are not timely in referring delinquent accounts to the CAO or complying with AD 4-10. Additional procedures for tracking, reporting, determining costs, and assessing the effectiveness and efficiency of the CAO's referral process should be developed. We have summarized our Opportunities for Improvement below.

- Costs to process referred delinquent accounts are not determined/considered in handling delinquencies. There is not a periodic review to evaluate the effectiveness and efficiency of the current process.
- The CAO tracking system for referred delinquent account may not be reliable. In two instances, payment information included on the tracking system could not be substantiated. Neither department nor CAO personnel have provided needed documentation to support the tracking system information. Recorded/reported payments and/or activities are not being substantiated, reconciled, and periodically communicated with affected entities.
- Report on delinquent accounts was not available when requested.
- Departments use various procedures that do not comply with Administrative Directive (AD) 4-10 and training on AD 4-10 is needed.
  - The ten City departments contacted are not following the prescribed timetables for referrals required in the AD, and several other requirements of the AD are not clearly understood. This negatively impacts the CAO's ability to collect delinquent accounts.
  - Employees are not adequately trained for their Accounts Receivable/Delinquent Accounts, etc. responsibilities. This was evidenced during our discussions with departmental employees by their lack of awareness and/or compliance with AD 4-10 as well as with the guidance provided in RESOURCE Information Guide (RIG).

We commend the departments for accepting our recommendations and taking steps to resolve these issues.

## INTRODUCTION

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### Authorization

We have conducted an audit of the City Attorney's Office (CAO) process for handling delinquent accounts greater than \$1,000, which are referred by City departments. We conducted this audit under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

### Scope and Methodology

Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included tests of the accounting and related records and other audit procedures that we considered necessary in the circumstances. Our audit period was October 1, 2001, through June 30, 2003. We also reviewed certain related procedures, events, and matters occurring before and after this period.

The objectives of the audit were to determine whether:

- Departments are timely in referring all past-due delinquent amounts to the CAO with adequate documented support.
- Administrative Directive (AD) 4-10, *Delinquent and Uncollectible Accounts Receivable*, provides adequate guidance and procedures to maximize collections.
- The CAO has adequate procedures to ensure all submitted collection action requests are captured, logged, assigned to an attorney, and tracked and the final results of efforts are recorded, reported (including dollars collected), and deposited.
- Costs to collect delinquent accounts are captured and reviewed, and other collection mechanisms are evaluated when total costs approach or exceed actual collections.
- The City Council is provided frequent periodic detailed reports of the CAO's collection efforts.
- Decisions regarding steps in collection efforts are independently evaluated and documented by appropriate supervisor or higher-level attorneys. Reviewer levels become higher as the amount of uncollected accounts receivable increase.
- Management periodically (no less often than annually) reviews collection efforts and related processes and makes revisions as appropriate. Reviews and modifications are documented, signed, and dated.

This audit excludes non-sufficient fund receivables and related activities that are covered by AD 4-11, *Processing Non-Sufficient Funds Checks*, as well as accounts that are handled by collection agencies.

## INTRODUCTION

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To achieve our audit objectives, we:

- Reviewed the book Auditing the Legal Function by Scott Fargason, published by the Institute of Internal Auditors.
- Reviewed the City Charter.
- Reviewed other cities' audits concerning their legal functions and reviewed various legal organization websites.
- Reviewed AD 4-10, *Delinquent and Uncollectible Accounts Receivable*.
- Judgmentally selected various departments and interviewed departmental employees, including employees with the CAO and the Office of Financial Services (OFS), concerning their understanding and implementing of the requirements of the AD.
- Reviewed and analyzed the CAO's summary of referred delinquent accounts logged and tracked.

### **Auditor's Independence**

Auditors and audit organizations have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be reviewed as impartial by knowledgeable third parties. This professional standard requires that independence should be free both in fact and appearance from personal, external, and organizational impairments. These factors were duly considered in the assignment of audit staff to this engagement. Our quality control program also assigns a second manager who reviews the audit report for accuracy and objectiveness.

Audit independence is highlighted to inform the reader of our efforts to maintain and preserve independence, and also to inform the reader of our dealings with the CAO in the normal course of municipal affairs. The City Auditor and the City Attorney have collaborated in the following projects:

- The CAO is defending the City Auditor in grievances and lawsuits filed by former employees.
- The City Auditor has been a witness for the City in lawsuits against the City.
- The CAO provided the City Auditor with outside counsel for a complaint against the City Auditor that was filed with the Texas State Board of Public Accountancy.
- The City Auditor's Office routinely works with the CAO in reviewing third party contracts.

## INTRODUCTION

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### Overall Conclusion

In our opinion, the CAO promptly handles referred delinquent accounts. However, AD 4-10 is not achieving its stated purposes. Departments use various procedures that do not comply with the AD, and most departments are not timely in referring past due delinquent amounts to the CAO. These departmental actions impact the CAO's ability to collect delinquent accounts.

Additionally, the CAO can improve its procedures for:

- Tracking
- Reporting
- Determining and evaluating costs
- Assessing efficiency and effectiveness of its collection efforts

Opportunities for Improvement are presented in this report.

### Background

AD 4-10 is the City's authoritative guidance for handling delinquent and uncollectible accounts receivable. The AD defines "accounts receivable" as an amount due the City from others for services rendered or goods provided or required by statute or City Code (e.g., fines, taxes, customer accounts). The AD was issued by the OFS, with the latest revision completed on August 1, 1997. The AD specifies the responsibilities assigned to department directors and to the CAO.

Department directors are required to:

- Maintain a detailed listing of all outstanding accounts receivable.
- Establish and implement timely accounts receivable collection procedures (outlined in Section 6 of the AD).
- Annually record uncollectible accounts and write off uncollectible accounts.
- Submit delinquent accounts not subject to the dedicated collection agency contract to:
  - The CAO.
  - The City's collection agency.
  - A Justice of the Peace court.

The CAO is required to:

- Sign and mail demand letters submitted by departments.
- Review delinquent accounts in excess of \$1,000 submitted by departments.

## INTRODUCTION

Depending on the nature of the referred delinquent account, collection responsibilities may be assigned to various sections within the CAO (e.g., Personal Injury, General Litigation, Contracts and Benefits). The CAO has primarily assigned referred delinquent accounts to its Personal Injury Section. Once a delinquent account has been forwarded to this section, it assumes the responsibility of initiating any legal action, if applicable, without additional supervisory input or review. Occasionally, additional information is requested from the department that has submitted the delinquent account. The CAO, in pursuit of these delinquent accounts, follows the Rules of Civil Procedures and the rules of the court in which a delinquent account case is filed. At this time, costs assigned to pursue delinquent accounts have not been calculated and/or assessed.

As of September 2003, the CAO's Personal Injury Section tracking system showed that nine departments referred 113 delinquent accounts totaling \$869,923 (unaudited). A summary of these accounts and the amounts collected, as of September 2003, are shown below.

Department	Accounts Referred > \$1,000		Amount Collected	
	Number	Amount	Number	Amount
Property Management	92	\$411,759	57	\$151,787
Police	2	\$21,179	2	\$21,749
Economic Development	2	\$3,521		**
Sanitation	3	\$105,614		***
Convention Center	1	\$7,587	1	\$7,587
South Dallas/Fair Park	3	\$50,871	1	\$4,539
Risk Management	8	\$232,840	4	\$43,783
Park & Recreation	1	\$5,340		****
Dallas Water Utilities (DWU) *	1	\$31,212		****
<b>Totals</b>	<b>113</b>	<b>\$869,923</b>	<b>65</b>	<b>\$229,445</b>

\* Represents a claim for overpayment to a city employee.

\*\* Lawsuit filed for one case. Bad address on the second case.

\*\*\* Default judgments.

\*\*\*\* Lawsuits filed.

The CAO also handles other delinquent accounts that are not included in the Personal Injury Section tracking system. The following table is a summary of these accounts as of September 2003.



# INTRODUCTION

Referred Delinquent Accounts Handled By Other Sections Within the CAO					
Legal Action/Status *	Matters/Cases				Totals
	Hotel/ Motel	Short Term Motor Vehicle	Loans	Demolition Orders	
Demand letter sent	3		1**		4
Filed bankruptcy/bankrupt	4	1			5
Filed or preparing to file suit	5	1			6
In District or Tax court	1			2	3
Filed intervention			6**		6
Paid in full or on a payment plan	3				3
Pending negotiation			1**		1
Pending foreclosure			1***		1
<b>Totals</b>	<b>16</b>	<b>2</b>	<b>9</b>	<b>2</b>	<b>29</b>

\* Amount for each account was not available. Amounts were provided for 10 accounts and totaled \$10,135,332.

\*\* Home Improvement loans.

\*\*\* Economic Development loan.

While some departments refer delinquent accounts to the CAO, other departments have developed internal procedures to handle their delinquent accounts. Normally, these departments will follow internally developed procedures (such as particular industry guidelines), and may finally refer the delinquencies to the CAO after all other internal efforts have been exhausted.

Some City departments use contracted collection agencies to collect delinquent and uncollectible accounts. In some instances, such as ambulance service, the third party provider performs all accounts receivable billing functions. Dallas Water Utilities/Special Collections Division (DWU/SC) monitors the contract for ambulance service. Ambulance service has a high delinquency amount because many of the patients are covered by Medicare and Medicaid or are otherwise indigent. Medicare and Medicaid pay only on 80% of allowable expenses. For example, if the cost of the ambulance service provided totaled \$100, Medicare may only allow \$75. Medicare would pay 80% of the \$75, or \$60. By State law, some of the Medicare and Medicaid costs cannot be billed to the patients; therefore, these amounts will not be collected. Thus, in this example, the remaining \$40 may be uncollectible.

The Department of Development Services provides economic grants and loans. The loans are with the South Dallas/Fair Park Trust Fund and CDBG Funds. The loans are repaid over several years. DWU/SC uses its own procedures in servicing all Economic Development department loans. For example, DWU/SC procedures state that the delinquent process begins after 60 days. However, the Trust Fund Board decides, at the 120-day mark, whether to send the delinquent account to the CAO. The AD does not address loans receivable and other longer-term type transactions.

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## OPPORTUNITIES FOR IMPROVEMENT

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We identified certain policies, procedures, and practices that can be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements may be needed.

### **1. Costs to process delinquent accounts are not determined/considered in handling delinquencies.**

Costs associated with efforts required to process and collect delinquent accounts are not currently tracked by the CAO. Additionally, there is no periodic review to evaluate the effectiveness and efficiency of the delinquent accounts collection process.

CAO personnel stated that the efforts required for filing a \$1,000 plus case are the same efforts required for a case involving \$1 million dollars or more. Furthermore, CAO personnel commented that the CAO has taken a more aggressive position regarding amounts owed to the City, and every legal effort will be made to pursue collection. CAO personnel also stated that “*when*” the referral is received is a critical factor in the collection process; the sooner the CAO receives the referred account, the better the chances of collection. However, once the case is filed, there are various actions required to follow through and collect the delinquent amount.

The costs associated with attorneys and other legal support time, the costs for filing court cases, and other costs incurred by the CAO are not tracked or considered in the pursuit of collecting these delinquent accounts. Additionally, other factors (e.g., the amount, age of the account, in-state versus out-of-state) may be relevant for consideration in handling the referred delinquencies.

The process and costs incurred associated with the functions or tasks assigned to an entity should be periodically evaluated and monitored for effectiveness and efficiency, in light of the benefits derived. Two other large Texas cities surveyed (Houston and Fort Worth) include cost-benefit considerations (such as periodic break-even analysis of cash collections, other analysis of accounts receivable, etc.) in handling their delinquent and uncollectible accounts receivable.

**We recommend** that the CAO periodically (such as annually) analyze and evaluate, for efficiency and effectiveness, costs incurred and tracked in handling referred delinquent accounts. The process should include factors such as the amount, age of the account, probability of collection, repeat offenders, etc.

### **Management's Response:**

CAO's response: The first recommendation is that the CAO should periodically analyze and evaluate for efficiency and effectiveness the costs incurred “in light of the benefits derived” in the collection of delinquent accounts. In the abstract, this recommendation

## **OPPORTUNITIES FOR IMPROVEMENT**

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is laudable, however, when viewed in light of the practical manner by which this office pursues the collection of delinquent accounts, it loses its efficacy.

The attorneys and support staff who handle the collection of delinquent accounts, for the most part, have assumed these duties in addition to or as a normal part of their caseload. Only one attorney and one legal assistant are assigned to work solely on collection matters. Thus, for the majority of the collection cases no additional cost, other than the increased cost of supplies and postage, are incurred. Court costs are recovered if at all possible in those cases in which a lawsuit is filed.

Should the volume of collection matters referred to this office increase to the point where additional personnel will be needed, then the evaluation of the increased costs should and would be evaluated against the benefits to be derived.

### **2. The CAO's delinquent account tracking system may not be reliable.**

The CAO does not have a reliable process to ensure that amounts recorded as debtor payments on the tracking system are verified and substantiated. Discussions with CAO and other department/division personnel revealed that debtors may send payments to the CAO as well as to the responsible department/division, such as Property Management. Checks received by the CAO are copied and then forwarded to the department/division for preparation of the deposit warrant (DW) and the deposit slip. Departments/divisions have no formal process for notifying the CAO regarding amounts received and processed from debtors. The CAO may receive debtor receipt information from the department/division via e-mail, telephone calls, or copies of the DW. However, there is no assurance that CAO files contain appropriate documentation (DW and attached materials) to support the amounts recorded on the tracking system as received.

We judgmentally selected and compared 16 accounts shown on the CAO tracking system to the information shown on the responsible department's DW and attachment. Based on our review of the DWs and attachments, as well as discussions with CAO and Property Management division personnel, we noted that some differences resulted from:

- Debtor payments that could not be substantiated for two amounts totaling \$8,751.05 on the CAO system. Property Management was unable to provide deposit warrants for these amounts.
- Information shown on the CAO tracking system was not current. A debtor payment totaling \$16,088.06 was not shown on the tracking system. The tracking system showed that the debtor was in "Bankruptcy."
- Accrued interest amounts were not included on the reviewed deposit warrant. Accrued interest amounts may have been remitted with separate debtor checks.

## **OPPORTUNITIES FOR IMPROVEMENT**

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There is no indication that departments provided (or were requested to provide) the CAO copies of subsequent amounts received on delinquent accounts within a timely basis. CAO personnel relied on the information provided by the department regarding subsequent debtor payments. Additionally, the tracking system does not show all amounts referred to the CAO. Certain debtors (those in bankruptcy, hotel/motel, demolitions, etc.) are referred to other sections within the CAO. These other cases are not tracked on the system. City departments may not have current, relevant, and reliable information on referred delinquencies, and the CAO may be relying, reporting, and making decisions on inaccurate information.

Recorded/reported payments and/or activities should be substantiated, reconciled, and periodically communicated with affected entities.

**We recommend** that the:

- OFS update AD 4-10 to include a requirement that departments provide to the CAO, within a timely basis, documentation of subsequent payments received on delinquent accounts referred to the CAO.
- CAO assess the adequacy of the current tracking system and expand the system to include relevant information on all delinquent accounts referred to the CAO.

### **Management's Response:**

OFS's response: OFS management concurs.

CAO's response: The report next addresses the reliability of the CAO's delinquent account tracking system and recommends the inclusion of all delinquent accounts referred to this office. The CAO concurs with this recommendation and will include in its system the hotel/motel tax cases. For the reasons set forth herein, demolition liens and bankruptcies should be excluded from such listing.

Persons or entities that file for bankruptcy and are indebted to the City of Dallas normally list the city as a creditor. This would include all personal bankruptcies in which the debt may be as small as a water bill. Therefore, there may be hundreds of such small uncollectible bankruptcies filed each year in which the city is a creditor. Tracking of all these would overwhelm the tracking system but result in little, if any, benefit.

The city demolishes approximately 200 houses per year. A lien is placed on those properties for the cost of the demolition incurred by the City of Dallas. Due to various factors, collection of these liens has not been pursued. For the most part, these liens are for relatively small amounts and are generally considered uncollectible. Including these liens in the CAO tracking system would not result in any added benefit.

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## OPPORTUNITIES FOR IMPROVEMENT

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### 3. Reports on delinquent accounts were not available.

Report regarding delinquent accounts was not available when requested by the Finance and Audit Committee (F&A). During an F&A meeting on April 14, 2003, some Council members requested information on delinquent accounts referred to the CAO.

Currently, neither the City Council nor the F&A receives periodic reports on the status of delinquent accounts referred to the CAO. The CAO does not currently prepare an overall report on the status of referred delinquent accounts for internal or external use. CAO management was not required to provide periodic reports on referred delinquent accounts to the F&A.

F&A and the City Council may not have complete, detailed information necessary to provide beneficial guidance for its areas of responsibility. Also, CAO management may not be fully informed regarding the overall/individual status of referred delinquent accounts to assess progress and make informed decisions.

Relevant, periodic reports should be prepared and provided to oversight management for information, review, and to aid in critical decisions. Prudent business practices require periodic updates or reports to a committee responsible for oversight of specific programs.

**We recommend** that the CAO ensure that an overall report on the status of referred delinquent accounts is prepared periodically (at least quarterly) and provided to the F&A.

#### **Management's Response:**

CAO's response: In accordance with the recommendation for an overall report on the status of referred delinquent accounts, the CAO will follow such recommendation and originate a form to provide regular reports to the F&A.

### 4. Departments use various procedures that do not comply with AD 4-10, and training on AD 4-10 is needed.

Most City departments contacted are not complying with the requirements of AD 4-10, and some departments do not clearly understand several requirements of the AD. We judgmentally selected various departments and held several discussions with individuals responsible for handling receivables in these departments. We noted that:

- A. Most departments are not following the prescribed timetables required in the AD. Employees in the ten departments contacted stated that specific date requirements of the AD (2-day, 30-day, and 40-45 day) were not being followed and that

## **OPPORTUNITIES FOR IMPROVEMENT**

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departments use various collection efforts not specified in the AD. The following are some collection procedures used by departments:

1. One department sends a 30-day past due notice. The notice is not forwarded to the CAO as required by the AD. This department also has adopted an "in-house" collection process, which is documented and used in its collection efforts.
2. Two departments send past due notices to delinquent customers based on requirements in the contracts with these customers. Employees in these departments indicated that they followed procedures accepted within their industry and do not pursue past due accounts until 90 to 120 days after the due date.
3. One department initially allows a majority of its customers to receive service based on credit agreements. When the individual customer account becomes past due, the department notifies the customer that further service is on a "cash basis" payment plan. If payment is not received within 15 days, the department sends a letter notifying the customer that services are no longer available for use.

Employees in all departments contacted stated that most internal department collection efforts included telephone calls and written contacts with the past due account customers. Some departments had documentation of telephone contacts, while others did not. Departments contacted referred the delinquent account to the CAO for additional collection efforts after the department exhausted its departmental collection efforts. The referrals to the CAO were made significantly after the number of days specified in the AD for submission to the CAO. Thus, departments may not maximize their collection efforts, and the CAO may not receive delinquent accounts timely and may lose opportunities to timely pursue collections on the account.

AD 4-10 specifies policies and procedures for handling delinquent and uncollectible accounts. The AD directs City departments on how to collect delinquent accounts not subject to a dedicated collection agency and how to record uncollectible accounts. The AD also requires department directors to: 1) Follow specific timetables to pursue accounts receivable that become "past due," 2) Refer to the CAO "past due" accounts that reach a certain monetary threshold, and 3) Be responsible for the accounting, recording, and reporting of uncollectible accounts and write-off of accounts to management and the F&A. Department directors are using criteria established either by their individual internal policy or by standards adopted from a particular "industry standard" in its collection process. Furthermore, administrative oversight responsibilities were not identified for monitoring and providing technical assistance in implementing the AD.

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## OPPORTUNITIES FOR IMPROVEMENT

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- B. The \$500,000 amount, required by Section 5.1.3 of the AD and Section 2.3.11 of the RIG, is not clearly stated as to whether the aggregate/average amount to be recorded refers to uncollectible accounts or to accounts receivable. We reviewed and analyzed the listing of RESOURCE accounts receivable as of March 31, 2003. We noted that several departments' accounts receivable balances, as well as allowance for doubtful accounts, were less than \$500,000. Discussion with OFS and other departmental personnel did not demonstrate that there was either a need or a clear understanding of the \$500,000 amount required by the AD and RIG. The AD has not been updated since August 1997; thus, clarification of this provision has not been addressed.
- C. City departments are not using Justice of the Peace courts to pursue delinquent accounts receivable. One department has delinquent accounts involving lease payment on City-owned properties and other real estate related accounts (i.e., licenses, easements). Departmental employees indicated that the CAO advised the department not to pursue any of the past due accounts in Justice of the Peace courts. This department's delinquent accounts are referred to the CAO. All other departments contacted responded that each department has never directly used the Justice of the Peace court as a means to seek relief for delinquent accounts receivable. Departments usually refer delinquent accounts to the CAO to pursue relief through the courts.
- D. Some delinquent accounts submitted to the CAO were not in accordance with the \$1,000 and greater amount specified in the AD. We noted that three departments submitted delinquent accounts totaling \$5,553, which were for individual amounts less than the \$1,000 required amount. The CAO returned the information to the departments and notified the departments that the amounts did not meet the dollar threshold required for review by the CAO.
- E. Citywide training on the AD is needed. Employees in the Public Works and Transportation Department requested the OFS to provide training on accounts receivable. Eight employees from Public Works and four from OFS attended the November 21, 2002, training. Areas discussed included:
- A review of the requirements of AD 4-10.
  - Concerns or issues related to the AD.
  - Overall review of accounts receivable, uncollectible accounts, and related questions.

Discussions with City departmental personnel (e.g., Aviation, Convention Center, Economic Development, Parks & Recreation, Sanitation), as well as review of accounts receivable listings, revealed that there were certain provisions of the AD that were not followed. Departmental personnel also indicated that it would be

## **OPPORTUNITIES FOR IMPROVEMENT**

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beneficial to receive CAO input regarding departmental handling of delinquent accounts that are referred to the CAO, as well as other areas of the AD that may not be clearly understood. City departments are not knowledgeable of all the provisions and the processes of the AD. Also, personnel actions such as reduction-in-force and hiring freezes since FY00-01 have impacted individual employee functions and responsibilities. Thus, accounts receivable recorded and reported in RESOURCE may be inaccurate, and related reports to management and City Council Committee(s) may not be correct or reliable.

Employees should be adequately trained in their functional areas of responsibilities. A department responsible for giving guidance and counseling regarding specific functions of the City's operations should be required to provide assistance to departments needing expertise in the functional area.

**We recommend** that the OFS:

- A.&B. Review and revise AD 4-10 to address the specific concerns discussed above, as well as:
- Request input from all applicable departments including the CAO.
  - Develop guidelines to require and ensure that departments comply with the revised AD.
  - Consider exempting individual departments from the Citywide AD and allow individual departments, due to the nature of their operations, to establish procedures specific to their department. The Chief Financial Officer should approve the procedures developed by these exempted departments.
- C. Consult with the CAO to determine whether the Justice of the Peace requirement is still applicable and needed.
- D.& E. Provide City-wide training to implement AD 4-10 requirements.
- Consult with the CAO and request participation in the training to specifically address CAO's concerns and how departments can obtain and provide needed information to ensure that referrals to the CAO are handled effectively and efficiently.
  - Ensure that appropriate departmental personnel are required to attend mandatory training on the AD.



## **OPPORTUNITIES FOR IMPROVEMENT**

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### **Management's Response:**

CAO response: The CAO does not endorse the handling of delinquent accounts, without CAO involvement, by city personnel in the justice courts.

OFS's response:

- A & B. The Office of Financial Services (OFS) concurs. A comprehensive review was performed of all receivables and interviews with department personnel were conducted during February and March 2004. We will follow-up with directors and solicit recommended changes to A.D. 4-10.
- C. OFS concurs. A memo has been sent to the City Attorney requesting guidance on whether the Justice of Peace requirement should be deleted.
- D & E. OFS concurs. The City Attorney's and City Controller's offices conducted joint training sessions on accounts receivables in January 2004. Follow-up training will be conducted after revisions are made to the administrative directive.

### **STATUS OF PRIOR AUDIT**

An audit report on the process and procedures for accounts receivable and non-sufficient funds checks was issued in March 2002. One of the five opportunities for improvement and the three related recommendations were addressed directly to the CAO collection efforts. One of the three recommendations has been fully implemented. The other two recommendations have been partially implemented by the CAO. Currently, a follow-up audit is being performed, and a follow-up report on the status of all the prior audit recommendations will be issued at a later date.