



# AUDIT REPORT



**DATE** June 20, 2019

**NO.** 2019-007

**FOLLOW-UP CHARLOTTE COUNTY UTILITIES**

**ACCOUNTS RECEIVABLE**

**(ORIGINAL REPORT NO. 2017-006 ISSUED DECEMBER 22, 2017)**

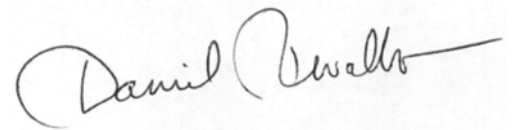
INTERNAL AUDIT DIVISION  
ROGER D. EATON  
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER  
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton  
Charlotte County Clerk of the Circuit Court and Comptroller  
350 East Marion Avenue  
Punta Gorda, Florida 33950

We have completed a follow-up audit of Charlotte County Utilities - Accounts Receivable (Original Report No. 2017-006 issued December 22, 2017) The purpose of this follow-up was to ensure comments and recommendations of the original audit were adequately addressed.

The report details the original audit comments, recommendations, and follows up on the original responses provided. Follow-up was accomplished thru inquiries and observations of evidence. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo" with a long horizontal flourish extending to the right.

Daniel Revallo  
Internal Audit Director

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## EXECUTIVE SUMMARY

The Internal Audit Division performed a follow-up audit of Charlotte County Utilities Accounts Receivable.

Follow-up audits are limited to the comments and recommendations made in the Charlotte County Utilities Accounts Receivable Audit Report dated December 22, 2017. This follow-up considers the responses documented and any subsequent corrective actions taken or delegated.

This follow-up audit report will conclude the original audit, as it pertains to Charlotte County Utilities Accounts Receivable.

The status of any corrective actions will be assigned as follows:

**OPEN** – Corrective action has not been taken to adequately address the original audit comment.

**OPEN/PARTIALLY COMPLETED** – Corrective action has started but has not adequately addressed the original audit comment.

**CLOSED** – Corrective action has been taken to adequately address the original audit comment.

### **Original Audit Comments and Status of Corrective Actions**

#### **OPEN**

- The security of cash and cash equivalents is compromised – There are no key control Policies and Procedures in place over cash.

#### **OPEN/PARTIALLY COMPLETED**

- The reconciliation of the Accounts Receivable subsidiary ledgers to the General Ledger is not performed on a timely basis, with any differences being investigated and resolved timely.

#### **CLOSED**

- CCU should determine if the Board of County Commissioners should grant them the authorization to make adjustments to customer accounts.
- An opportunity for improvement exists if the billing software “Banner” and the Enterprise Assets Management System “EAMS” are able to interface.
- The security of cash and cash equivalents is compromised – Cash is being handled by family members assigned to related functions.
- Charlotte County Utilities should review the Red Flags Rule in regard to electronic fund transfers.
- The current Standard Operating Procedure for writing, processing and updating an SOP is not always followed.

## BACKGROUND

Charlotte County Utilities (CCU) is a separate government-owned enterprise that is fully funded by customer rates, fees and charges. CCU is accounted for in an internal service fund and all policies and rates are established and reviewed by the Charlotte County Board of County Commissioners.

CCU provides water supply/distribution, wastewater treatment/collection, and reclaimed water storage/distribution services to approximately 62,000 customers including residential, nonresidential, and wholesale accounts.

CCU uses “Banner”, a utilities billing and customer care software. “Banner” is critical to CCU because it specifically supports its operations as it provides automated capabilities to collect, manage, and analyze information about customers, locations, accounts, and the provision of services. “Banner” maintains CCU’s accounts receivable, and retains histories such as service, credit, billing, account summaries, and audit trails. “Banner” includes processes to calculate charges, print bills, process delinquent charges, and apply and distribute payments.

CCU is divided into 3 divisions: Business Services, Engineering, and Operations. Our original audit focused on Business Services, which is comprised of Customer Service, Billing and Collection, and Meter Services. Billing and Collection is responsible for the billing and collection of the County’s utilities rates, fees, and charges. Specifically, the division processes payments for water, wastewater, reclaimed water, and other fees and service charges, including meter installation, line extensions, etc. The billing process begins with meter readings, which are done by Meter Services Specialists. At the time of the original audit, CCU had completed the installation of Automated (“Fixed-Base”) Meters throughout the county. These are two-way communication meters which CCU can read remotely and billing information can be downloaded into its billing program “Banner”.

The billing process continues with Utility Billing Specialists downloading, correcting meter read data, generating and printing monthly customer bills. Printed bills are delivered to “Florida Mail and Print” in Fort Myers, a third party vendor, to be assembled and mailed out to CCU customers.

Besides being charged for water consumption, CCU customers are charged for repairs, installations, line extensions, etc. Meter servicing and repairs are separately tracked through work/service orders using two different and distinct systems. Repairs and/or services performed by Business Services are tracked through work orders prepared in “Banner” and repairs and services performed by Operations are done through Operations’ Enterprise Assets Management System (“EAMS”), which tracks the manpower, equipment, and materials used.

The use of a work order tracking system from “Banner” and “EAMS” provides CCU the information needed for computing the amount for services and repairs that are ultimately billed to customers.

CCU customers have a wide variety of payment methods available to them: automated pay by phone, online through the CCU website (Billtrust), in person, by mail, through authorized cash payment agents and drop boxes, and via electronic funds transfer through financial institutions.

Payments received for services are handled by the Cash Office in the Billing and Collections Department. The Cash Office processes cash, checks, Billtrust, Global, CheckFree, FIS and also payments received via mail and at drop boxes located at CCU. The Cash Office also prepares the bank deposits and journal entries for the EDEN general ledger.

Payment and deposit documentation is routed daily to the County Fiscal Services Division and the Clerk of Courts Comptroller's Division for review and approval. "Banner" functions as an integrated sub-ledger to the EDEN general ledger and transactions are updated daily from "Banner" to EDEN. The Fiscal Services Division performs daily reconciliations of deposits and accounts receivable in "Banner" and EDEN, including journal entries to account for any adjustments. According to procedures, the Fiscal Services Division must reconcile the EDEN accounts receivable general ledger balance with the subsidiary ledgers in "Banner" on a monthly basis.

CCU reviews its accounts receivables periodically to determine timely collection. Receivables that are over 90 days due at the last day of the County's fiscal year end are deemed uncollectible. CCU's "Credit and Collection Policy" adopted by Resolution, gives CCU authority to classify an account as uncollectible and adjust it as a bad debt. The policy also provides that Charlotte County Board of County Commissioners will ratify those uncollectible accounts annually.

#### AUDIT OBJECTIVES

The purpose of the follow-up audit was to determine if the proposed corrective actions documented in response to the six (6) comments and/or recommendations reported, within the Charlotte County Utilities Accounts Receivable Audit Report No. 2017-006, were adequately and timely implemented and/or resolved.

#### SCOPE AND METHODOLOGY

The follow-up audit included a review of the following items that were to be corrected:

- Board of County Commissioners' approval to make adjustments to customer accounts
- The interface of billing software "Banner" and the Enterprise Assets Management System "EAMS"
- Key Control Policies & Procedures and cash handled by Family members in related functions
- Timely reconciliation of Accounts Receivable to the General Ledger
- Review of the Red Flags Rule in regard to electronic fund transfers
- Follow Standard Operating Procedure (SOP) for writing, processing and updating SOPs

The scope of the follow-up audit included a review of comments, recommendations and responses documented within the Charlotte County Utilities Accounts Receivable Audit Report No. 2017-006.

The methodology of this review included discussing findings, recommendations and responses reported.

## COMMENTS, RECOMMENDATIONS AND FOLLOW-UP AUDIT RESULTS

- 1. CCU should determine if the Board of County Commissioners should grant them the authorization to make adjustments to customer accounts.**

**We recommend** CCU determine if Board of County Commissioner's approval is required authorizing CCU to make adjustments to customer accounts.

**Original Response:** "CCU is developing a comprehensive Policy and Procedure Ordinance, that will include authority for adjustments, to be submitted to the Board within the next couple of months."

**Status of Corrective Action: CLOSED**

**Auditor Comments:** The Director's Adjustment Policy, dated December 17, 2018, went into effect in January 2019 around billing adjustments. It defined billing adjustments due to high water usage per calendar year and late payment adjustments. This policy supports that they have started to tighten down and are working towards codifying Policy.

- 2. An opportunity for improvement exists if the billing software "Banner" and the Enterprise Assets Management System "EAMS" can be interfaced.**

**We recommend** CCU explore the possibility of enabling "Banner" and "EAMS" the ability to Interface to allow for the creation of a single work order for repairs.

**Original Response:** "CCU agrees with the recommendation and intends on including a single work order system as part of the criteria for the new EAMS replacement."

**Status of Corrective Action: CLOSED**

**Auditor Comments:** 'EAMS' is the Asset Management Program that is currently used by Charlotte County Utilities. CCU states that it is not feasible to interface the systems at this time. There is currently a \$10 to \$20 million project in the works that will completely overhaul the Asset Management Software and a new program will be coming.

- 3. The security of cash and cash equivalents is compromised.**

**We recommend:**

- CCU develop Key Control Policy & Procedures to ensure the security of the cash & cash equivalents kept in the cash office
- CCU continue with the practice of maintaining an open eye on situations that could compromise the security of County assets, especially cash and cash equivalents which are considered a high risk area

**Original Response:**

- a) "This has been complete. Security measures have been established to limit the access to the Cash Room."
- b) "Agreed. We will ensure that the security of the County assets will continue to remain a high priority."

**Status of Corrective Action:**

- a) OPEN
- b) CLOSED

**Auditor Comments:**

- a) Through inquiry and follow up, it is determined that there was not an actual procedure written for the key controls.
- b) The whole Customer Service Area has been consolidated (through construction) into a smaller space. Employees now cannot leave the sight of customers when dealing with cash, cameras are on CSRs at all times, there are only 2 employees who have access to the safe vault, there are no spare keys hanging in a cubicle, and family members no longer work in areas that could cause conflicts of interest.

**4. The reconciliation of the Accounts Receivable subsidiary ledgers to the General Ledger is not being performed on a timely basis, with any differences being investigated and resolved timely.**

**We recommend** the Fiscal Services Division reconcile CCU Accounts Receivable subsidiary ledgers to the General Ledger in a timely manner in accordance with current procedures.

**We also recommend** CCU ensure that the Accounts Receivable reconciliations are performed on a timely basis since customer billings and collections are the main source of its revenues.

**Original Response:** "Staff Members from CCU, Clerk's Finance and Fiscal met to discuss methods for timely reconciliation. We will be recommending that Eden and Banner integrate – reducing considerable staff time for reconciliation and improved efficiencies. We will also establish quarterly meetings to address fiscal status and issues"

**Status of Corrective Action: OPEN/PARTIALLY COMPLETED**

**Auditor Comments:** In March of 2019, The Internal Audit Division obtained the most recently balanced and reconciled CCU Accounts Receivable subsidiary ledger files from Fiscal to see when they had been balanced against the general ledgers. Out of the three files, two had been worked through February of 2019 and one had been worked through October of 2018. Although they are not being done monthly (or even on a regularly scheduled basis) as Procedure states, they had been done more frequently than when we checked during the audit in 2017. Fiscal and Charlotte County Utilities have started holding Quarterly Meetings together so hopefully this process will continue to improve.



**5. Charlotte County Utilities should review the Red Flags Rule in regards to electronic fund transfers.**

**We recommend** CCU, in conjunction with the County Attorney’s Office, perform the steps necessary for the implementation of an identity theft prevention program to comply with the Red Flags Rule, based on Sections 114 and 315 of FACT (Fair and Accurate Credit Transactions Act of 2003)

**Original Response:** “We have reviewed the qualifiers for compliance to the Red Flag Rules and because we do not use consumer reports in connection with a credit transaction, give information to credit reporting companies with a credit transaction, or advance funds, the Rule does not apply to Business Service Operations.”

**Status of Corrective Action: CLOSED**

**Auditor Comments:** The Internal Audit Department confirmed that Charlotte County Utilities and the County Attorney’s Office worked together to research whether or not they were in compliance with the Red Flags Rule following the audit in December of 2017. They provided internal audit with the emails that showed the correspondence and the research.

**6. The current Standard Operating Procedure (SOP) for writing, processing and updating an SOP is not always being followed.**

**We recommend** CCU review its guidance for “Writing, Processing, & Updating an SOP” to ensure its completeness and accuracy, and to make any necessary revisions.

**We also recommend** CCU, upon revision of its guidance, update all current SOPs to ensure they are properly reviewed and approved.

**Original Response:** “Agreed, staff will ensure that SOPs are properly reviewed and approved”

**Status of Corrective Action: CLOSED**

**Auditor Comments:** Through inquiry, this document, “Writing, Processing, & Updating an SOP”, is determined to be outdated and no longer in use. CCU now has a team of employees that meet monthly to work on new Procedures that need to be written or old Procedures that need to be updated.

## ACKNOWLEDGEMENT

We would like to thank Charlotte County Utilities, Fiscal Services, and the County Attorney's Office for their assistance in the completion of this follow-up audit.

Follow-up Audit supervised by:

Dan Revallo

Internal Audit Director

Charlotte County Clerk of Court and Comptroller



**MEMORANDUM**

Date: May 21, 2019

To: Dan Revallo, Internal Audit Director  
Amy Grant, Internal Auditor

From: Matt Valentine, Business Administration Manager *MRV*  
Craig Rudy, Director *CR*

Subject: Response to CCU Audit Follow-up

**1. CCU should determine if the Board of County Commissioners should grant them the authorization to adjust customer accounts.**

Response: CCU agrees with the CLOSED status. Our attorney has instructed us that we do not need Board approval to perform adjustments, however we are working with our attorney to codify the adjustment policy.

**2. An opportunity for improvement exists if the billing software "Banner" and the Enterprise Assets Management System "EAMS" can be interfaced.**

Response: CCU agrees with CLOSED status. As stated in our original response, CCU is pursuing a replacement to the EAMS software and a requirement to that replacement will be that it interfaces with Banner. Implementation of the new asset management system will be a lengthy process.

**3. The security of cash and cash equivalents is compromised.**

Response: CCU agrees that policy on Key Control was needed. This policy was developed after the new swipe card access system was recently installed. The policy was distributed to employees on May 17, 2019.

**4. The reconciliation of the Accounts Receivable subsidiary ledgers to the General Ledger is not being performed on a timely basis, with any differences being investigated and resolved timely.**

Response: CCU agrees with the statement provided by Fiscal Services in the memorandum dated May 3, 2019.



**5. Charlotte County Utilities should review the Red Flags Rule regarding electronic fund transfers.**


Response: CCU agrees with the CLOSED status. As stated in our December 22, 2017 response, Red Flags Rules do not apply to CCU Business Services. We are pursuing the use of credit card readers for our customers to use in our lobbies. This will prevent the customer account specialists from having access to credit card numbers.

**6. The current Standard Operating Procedure (SOP) for writing, processing and updating an SOP is not always being followed.**

Response: CCU agrees with the CLOSED status.



**MEMORANDUM**

Date: May 3, 2019  
To: Dan Revallo, Internal Audit Director  
From: Gordon Burger, Director, Budget & Administrative Services   
Subject: Reconciliation of the Utility Accounts Receivable

Our action steps and response to the Comments and Recommendations for item 4 are provided below.

**4. The reconciliation of the Accounts Receivable subsidiary ledgers to the General Ledger is not being performed on a timely basis, with any differences being investigated and resolved timely.**

**Management Action:** Fiscal staff diligently worked on and brought current the Impact Fee Funds' accounts receivable reconciliations. However, the Utility Operations and Maintenance Fund accounts receivable and deposit reconciliations are still not up to date.

Fiscal Services experienced staff turnover, and as a result these processes were not completed due to lack of documentation. The County Comptroller brought this issue to Fiscal's attention during the CAFR audit. Prior to that, Fiscal staff were unaware that this was a part of their responsibilities.

Presently, one staff member is trained on these reconciliations and working to bring them current. Additionally, supplementary staff are being trained on how to complete the reconciliations for additional coverage.

The goal is to complete reconciliations monthly and to have all Utility reconciliations current by the end of this fiscal year.

