



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 10

Agenda Date: September 12, 2023

In Control: Audit Committee

DEPARTMENT: Office of the City Auditor

DEPARTMENT HEAD: Kevin Barthold

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Acceptance of the Office of the City Auditor Report AU21-013 Audit of Finance Accounts Receivable.

SUMMARY:

Determine if Accounts Receivable are properly reported and managed including collections and bad debt allowances.

BACKGROUND INFORMATION:

Background

The Billings and Accounts Receivable Section of the Finance Department is responsible for the oversight and management of the billing and collection process related to accounts receivable. Administrative Directive 8.4 Financial Management of Accounts Receivable outlines citywide guidelines for management of accounts receivable and collection of revenue.

The Finance Department is responsible for maintaining the SAP customer master records database. The collection process is a collaborative effort by City Departments and the Finance Department. City departments collection efforts include phone calls and/or dunning letters on delinquent customers. Documentation of good faith efforts to collect monies is maintained at the department location. When all attempts for collections have been executed and the determination is made that an account is uncollectable, the account receivable will be moved to a write-off general ledger account.

Scope and Methodology

The audit scope was Fiscal Year 2021. We reviewed a sample of customer accounts for appropriate creation and modifications. We also reviewed a sample of journal entries to determine appropriateness. We reviewed a sample of account receivable aging accounts for required collection efforts and documentation. We reviewed the methodology for establishing the allowance for doubtful accounts receivables. We also tested a sample of write-offs to determine if departments followed city requirements. Finally, we reviewed user access roles for appropriateness.

Conclusions

Accounts Receivable are not properly managed including collections and bad debt allowances. Finance and City Departments do have effective procedures that ensure recording of manual journal entries are accurate and supported. In addition, controls are in place that ensure requests for refunds are properly authorized and supported.

However, we observed opportunities which include an overall lack of documentation support for the creation and modification of customer accounts. In addition, there is a lack of documentation support for the City's customer account receivable collection efforts. City departments use inconsistent methodology for the estimation of allowance for doubtful accounts. Finally, SAP user access to accounts receivable transaction was excessive.

We made recommendations to improve these opportunities. Management agreed with the recommendations and developed positive corrective action plans.

ISSUE:

This item is presented for acceptance by the Audit Committee.

FISCAL IMPACT:

NA

ALTERNATIVES:

None.

RECOMMENDATION:

Staff recommends acceptance of this report.