

Audit Report Tracking System

1. Audit Title Performance Audit Accounts Receivable	2. This Report Date 07/18/07
3. Department Finance Department	4. Last Report Date 03/22/05
5. Department Head Debra R. Hinsvark, CFO/Director of Finance	6. Contact Person/Phone G. Mary Temple/513-1224
7. Audit Release Date 05/28/03	8. ARTS Number

9. Status of All Recommendations

<u>Status</u>	<u>Date</u>	<u>Status</u>	<u>Date</u>
1. Implemented	03/22/05	6. Implemented	03/22/05
2. Implemented	11/24/03	7. In Progress	
3. Implemented	11/24/03		
4. In Progress			
5. Implemented	11/24/03		

10. Recommendations Included in this Report

Recommendation 4: The Director of Finance should establish a method of identifying all receivables owed to the City.

Status – In Progress. Since the last update, the Water Services Department has implemented its Banner system for tracking payments for water service from business and residential customers. In addition, the Finance Department continues to use Kiva to track outstanding real estate tax and special assessment payments and the Aviation Department now uses the ABM system to track its customer billings and collections. Three departments currently use the P-Financials Billing and Accounts Receivable modules to track customer accounts: Health, Neighborhood & Community Services, and Information Technology. The use of these systems allows for regular reporting to the general ledger of receivables balances.

The City is implementing a new version of PeopleSoft (9.0) which should address issues with the current version and accommodate other departments as the mechanism for tracking and reporting receivables. In conjunction with the upgrade, the financial system support team (P-Financials) will include an accounts receivable module expert responsible for support, maintenance and user training to facilitate City-wide acceptance and use. The use of Kiva and Banner will continue as they are specialized in nature. As an interim measure, the Finance Department is implementing a requirement for those departments not currently using P-Financials to track customer accounts to provide a monthly accounts receivable reconciliation and make the proper accounting entries to record receivables balances in the general ledger. The use of a single system for the tracking of accounts receivable enhances internal controls and affirms that policies and procedures are being consistently followed across all departments.

The receivables reflected on the City's balance sheet have been reviewed each year by the external auditors. For fiscal years 2005 and 2006, no management letter comments relating to receivables were included in the auditors' findings. In 2004 and prior, management letter comments regarding the receivables for property taxes and special assessments were issued. The Accounts division assigned an accountant the responsibilities of coordinating with the counties to ensure that the end of the year receivable was properly recorded. The counties of Kansas City, MO bill not only the county taxes but also the property taxes owed to the City (with the exception of real property taxes in Clay County). This accountant is also responsible for the coordination of reporting and the booking of receivable accruals in order to implement appropriate controls over this area. In 2002, the management letter identified the deficiencies at the Water Services department of the inability to age receivables as well as the inability to reconcile the customer deposit detail records with the general ledger. The implementation of the new billing system (Banner) addressed and corrected these problems.

Recommendation 7: The Director of Finance should draft for the City Manager's approval an Administrative Regulation providing guidance to City departments on billing, collecting, monitoring, and accounting for receivables.

Status – In Progress. The Finance Department has an administrative regulation and manual of instruction in draft form. When approved, these documents will assist departments with the proper accounting for receivables. In addition, the Finance Department has provided training on the Billing and Accounts Receivable modules of P-Financials to current user departments. The course training manuals include step-by-step instructions for billing, collecting, monitoring and accounting for receivables in P-Financials. These materials will be updated as system updates are implemented.

In conjunction with the upgrade to the latest version of P-Financials, the Finance Department will provide a subject matter expert in accounts receivable and billing to assist departments with maintenance and provide on-going training.