



Stormwater Utility Fee Collections Report
December 23, 2015

Adams County, Colorado

Executive Summary

BACKGROUND

We previously performed an agreed upon procedures engagement over three phases to assist with the testing of the Adams County Stormwater Utility Fee billing process. The phase one and phase two reports were related to testing performed over the calculations and billing processes of the fee prior to the initial invoices being sent out to all customers while the final phase three report was related to evaluating and testing of the collections policies and procedures in place after collections of the fee began. The final phase three report was issued on May 29, 2015. This engagement is being performed to determine if internal controls as tested during our AUP procedures were implemented and continuing to function as expected during the current live billing and collection process and to evaluate future collection plans of the County related to outstanding fees.

SCOPE

The scope of our procedure includes:

- Cash handling processes and procedures related to all aspects of collections of the Stormwater Utility Fee.
- Transactions for the period from May 29, 2015, the date of our phase three report through November 23, 2015, the date of fieldwork for this engagement.

OBJECTIVES AND RESULTS

We evaluated the adequacy of controls and processes related to collections of the Stormwater Utility Fee through performance of the following procedures:

1. We performed a walkthrough of the collection and posting process on live transactions occurring on November 23rd and ensured that the process in place appears to be working as designed and functioning as expected.
2. Testing cash receipts for the following five randomly selected dates: 7/30/15, 8/4/15, 9/15/15, 10/27/15 and 11/5/15. For these five days, we obtained cash receipt detail including the credit card deposit report and the check deposit report. No cash was received for any of the five days selected. For credit cards, we compared the amount in total from the JD Edwards detail to the Wells Fargo desktop deposit. For check deposits, we compared the check deposit report to the JD Edwards detail for the day selected.
3. We interviewed management to gain an understanding of the collection process and future plans related to collection of unpaid fees.

The following are the business objectives and related control assessment (Satisfactory, Needs Improvement, Unsatisfactory) and a summary of strong and weak controls noted while performing these procedures.

Business Objective	Control Assessment
1. All transactions are properly authorized	Needs Improvement
2. All recorded transactions are valid	Satisfactory
3. All valid, authorized transactions are recorded	Satisfactory
4. All transactions are recorded accurately	Satisfactory
5. Assets are safeguarded from loss or theft	Needs Improvement
6. Business activities are performed efficiently and effectively	Satisfactory
7. Make timely deposits of daily collections	Satisfactory
8. Timely collections of outstanding fees	Needs Improvement

Strong Controls	Weak Controls
<ul style="list-style-type: none"> • Automatic download from credit card processing website (OPC) linked to JDE and posted daily. Reconciliation is performed daily to reconcile credit cards processed with JDE postings. (Obj. 2, 3, 4, 6, 7.) • Checks/cash received are matched to invoice to ensure accurate payment. Invoice remittance is scanned into JD Edwards and automatically applied to customer account based on bar code on invoice scanned. Reconciliation is performed daily to reconcile total cash and checks received to related JDE postings. (Obj. 2, 3, 4, 6, 7.) • Code to onsite collection drop box safe is safeguarded. (Obj. 5) • Receipts are used at the onsite collection location to provide customer with proof of payment and a sign is visible at the collection desk to inform customers that they should expect a receipt at the time of payment. (Obj. 5) • During the close out process, Staff shall prepare a listing of the amount of each check verifying the total of the checks processed. Checks are reconciled to the bank's confirmation received for the day and the cash deposit is counted by another person and they initial deposit slip (Obj. 7) 	<ul style="list-style-type: none"> • There is no reconciliation process in place related to the cash in the cash drawer at the onsite cash collection location. (Obj. 5) • Accounting staff can create and post manual batches into accounting system without review, including write offs of unpaid amounts. (Obj. 1) • JD Edwards address table is not being continuously updated with changes in the assessor's system resulting in Statements being sent to bad addresses when changes have been made. (Obj. 8) • Some title companies are not aware of the need to collect this fee at closing, and accordingly, closings are occurring with this outstanding fee now attached to the property and the new property owners. (Obj. 8) • The process for certifying with the treasurer including the accounting entries to be made appear to still be in question and the process needs to be determined and finalized to ensure a plan is in place when accounts are transferred to the treasurer. (Obj. 6, 8.)

Detail Observations and Action Plan

OBSERVATIONS AND ACTION PLAN

Following is a table detailing all the observations from the business objectives assessed along with management's action plan to address these issues.

Observation #1

The County utilizes a single cash drawer at the collection site in the building and planning department that is shared amongst the employees involved in the collection process. Additionally, we noted that there is not a daily reconciliation process related to the cash received or maintained in the drawer. We counted the cash in the drawer on November 23rd and found only \$197.11 instead of the \$200 that was expected to be there. An adequate explanation was not provided for the difference noted.

Recommendation

A daily log should be in place to track cash that is maintained in the drawer to hold the employees accountable each day to the cash that they oversee. This log should be used daily to document the count and ensure that the money that is maintained on hand is accurate and in line with the policy in place. Additionally, if multiple employees are handling cash, it is best practice for each to have their own drawer to increase accountability and limit opportunities for misappropriation. At a minimum, if multiple personnel handle cash during the same day(s), each person should have their own cash accountability log for the cash maintained at check in and check out, signed by the accountable staff and a supervisor.

Action Plan

Person Responsible	Cari Johnson/Krysti Stehle	Estimated Completion Date	3/31/16
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Actions to be taken: A cash drawer log sheet has been created for each cash drawer to be checked in and out by management and/or the administrative coordinator of the Community and Economic Development Department. The log in sheet includes signatures and cash counting requirements when the drawer is transitioned to the safe and/or reassigned to another employee. Drawers will be assigned to one person at a time. Please see the attached log sheet to be added to each cash drawer. Cash drawers will be randomly audited.

Observation #2

While walking through the collection process in place on November 23, 2015, we noted that the accounting tech that was responsible for entering manual receipts into the system also has the ability and the responsibility to post these receipts. This process included writing off unpaid interest on several receipts where partial payment was received which was entered to record the account as 'fully paid' off as the full fee was collected. While this appears to be in line with the policy in place based on interviews with management, these writeoffs are also not reviewed by another employee prior to posting.

Recommendation

While the process in place is efficient and effective to ensure timely recording of deposits, we believe that at a minimum, an additional control should be added to the process in which periodic reviews of all writeoffs of stormwater billings and fees are performed and documented to ensure accuracy and propriety of amounts written off. Segregation of duties in recording and posting manual receipts should also be implemented to protect the collection, receipting and reporting process and those employees involved.

Action Plan

Person Responsible	Cari Johnson	Estimated Completion Date	2/1/2016
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Actions to be taken: All Stormwater accounts receivable batches that are created will be posted by another employee. At that time write offs will be reviewed. Dollar amounts written off that are \$10 or more by an employee must be reviewed and approved by a manager in the Finance Department. Stormwater Fees (not the interest amounts) should not be written off except as approved by Stormwater Management. When an amount above \$10 is written off, a report will be run that management needs to sign and date indicating approval and properly filed in DOCs and labeled Stormwater Write-Offs above \$10 with the appropriate date.

Observation #3

While gaining an understanding of the collection process in place, challenges management is facing and future plans of management surrounding collection efforts going forward, we noted the following:

- There are currently numerous bad addresses in the JD Edwards system. Our understanding is that the JD Edwards system is not being updated for changes in the assessor system on an ongoing basis, and as such, there is a lot of time being spent on the collection side dealing with returned mail, making corrections in the JD Edwards system and resending statements.
- Additionally, based on our discussion, we learned that some title companies are not aware of the need to collect this fee at closing. There appears to be a flaw in the system that is allowing closings to occur with this fee still outstanding. This results in the fee now being the responsibility of the new property owner as the fee stays with the property, not the old owner. This is causing additional issues as the statements are still being sent to the old owner and returned as the addresses are not being updated in the system as noted above and also resulting in further complaints by new homeowners that do not believe this fee is their responsibility.

Recommendation

First, the JD Edwards address tables need to be updated at least periodically and prior to each statement mailing to ensure the utmost accuracy of the statements mailed.

Secondly, processes should be in place to ensure the title companies closing on properties in the area are made aware of this fee and that they do not allow closings to occur without this fee being entered on the settlement statement of the sale taking place.

Action Plan

Person Responsible	Michelle Miller/Cari Johnson	Estimated Completion Date	3/31/16
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Actions to be Taken: First item - The JD Edwards address tables will be updated periodically before new statements are run. We rely on Assessor records for these addresses. When we become aware of changes in addresses, we will notify customers that they need to update their information with Assessor's Office.

Second item – Cari Johnson has contacted the Executive Director at the Land Title Association of Colorado and let them know that as properties in the Stormwater Utility area change ownership, they need to be aware that Stormwater Utility fees may be due. The language in the notification to their membership reads as follows:

ADAMS COUNTY UPDATE – PLEASE READ

Adams County has asked that I send out a notice regarding their Storm Water utility fee. There is a Storm Water Utility fee assessed on all properties in the stormwater service area within unincorporated Adams County. They have been finding that it is not regularly being paid at closing when properties changed hands which has causes some confusion among customers. In order to find this fee for properties in the stormwater service area within unincorporated Adams County, please contact Adams County Stormwater Utility at 720.523.6400.

We will periodically let the Land Title Association know that this fee should be collected at closing as applicable. We additionally encourage new owners to contact their title company when fees were not properly collected at closing when properties change ownership.

Observation #4

While evaluating future plans of management surrounding collection efforts going forward, we understand that if the annual fee is not paid by December of the following year, the unpaid balance will be certified to the Adams County Treasurer for collection as authorized by State law. For example: 2014 SWU fee must be paid by December 31, 2015 in order to avoid certification to the Treasurer for collection. This policy has been communicated via a one sheet handout that is included in all mailed statements. Additionally, this will be communicated to all customers with 2014 fees still outstanding via a letter that has been written to explain the policy in detail. We evaluated the letter and believe that it clearly communicates the policy as intended.

Our observation is that the process for certifying with the treasurer including the accounting entries to be made appear to be in question per discussion with the finance department staff. At this time, it has been decided that all 2014 outstanding AR will be moved out of the stormwater receivable account and into a separate receivable account within the general ledger. The amount in the newly formed account will agree with the amount of the accounts that were sent to the treasurer for collections. The process for reporting amounts collected from the treasurer back to accounting, recording those collections in JD Edwards and reconciling outstanding amounts between JD Edwards accounts and the treasurer's system still need to be designed and implemented.

Recommendation

A meeting between finance and the treasurer should occur to create a process related to accounting for the fees that are being transferred from finance to the treasurer and to ensure that both sides are on the same page as to collection of these fees. Processes should be designed to ensure that the following occur on a periodic and timely basis:

- Communication from treasurer to finance on amounts and accounts paid on a periodic basis.
- Journal entries should be posted and subledgers adjusted in JD Edwards on a periodic basis to reflect accurate accounts receivable within the JD Edwards system.
- A periodic reconciliation should be performed between amount outstanding in JD Edwards and the amount outstanding per the treasurer.

Action Plan

Person Responsible	Michelle Miller, Krysti Stehle, Cari Johnson	Estimated Completion Date	1/5/16
Actions to be taken: At the time the report was compiled, the Finance Department and the County Treasurer's Office were working out the details of the transition for 2014 Stormwater Fees to be collected. The Finance Department developed a process to write off the outstanding balances for 2014 fees and related interest from the SWU accounts receivable account. These outstanding balances are re-coded to a new accounts receivable account called AR to Treasurer. As the Treasurer's Office collects the fees, they will be posted to this new accounts receivable account and uploaded into the general ledger like other revenues and receivables the Treasurer's Office collects. The account will be reviewed as receivables are posted. The account will be further analyzed for accuracy to make sure the balance reflects a reasonable level of outstanding Stormwater fees receivable. The Treasurer's Office and the Finance Department have also developed procedures for fees paid for multiple years. We can now split payments and post them to customer accounts in both systems as appropriate. To do this process the Treasurer will apply the payment to the Stormwater assessment. The system will issue a refund for the remaining amount that is to be applied in JDE. The Treasurer overrides the refund from going to the customer and instead puts all the money into the Stormwater fund. The remaining money is applied to the open Stormwater fee in JDE and processed as normal. The Finance Department and the Treasurer's Office will periodically have meetings to review our processes and refine areas that need fine tuning.			