



Internal Audit Department
350 South 5th Street, Suite 302
Minneapolis, MN 55415-1316
(612) 673-2056

Audit Team on the Engagement:
Brittney Johnson, Undergraduate Student Intern
Magdy Mossaad, MBA, CIA, CMA, CFE, CPA
Autumn Wonderlich, Undergraduate Student Intern

Utility Revenue Collections Review

**Published by Order of Audit Committee
on**

November 13, 2013

Report # 2013 - 05



Date: November 13, 2013

To: Kevin Carpenter, Finance & Property Services (Finance)
Steve Kotke, Public Works (PW)

Re: Utility Revenue Collections Review

The Internal Audit Department (IA) conducted a review of the Utility Revenue Collection process at the Finance and PW departments of the City of Minneapolis (City). This review was included in the 2013 Internal Audit Plan.

Background

The City issues approximately 98,000 invoices per month for solid waste & recycling, water, sanitary sewer and storm-water services. Revenue generated from these invoices in 2012 was \$195 million, an average of \$16.25 million per month. The monthly average of collection activities per month regarding utility revenues is displayed in the table below:

Activity	Number of Invoices	% of Total Invoices
Paid by Due Date	77,000	78%
Paid By Final Notice Date	14,700	15%
Paid Before Water Disconnection	4,900	5%
Other*	1,400	2%
Total	98,000	100%

*The "Other" category includes accounts that are made inactive as a result of either water shut off for non-payment or due to the occupant moving in/out with balances are rolled over to the tax assessment process (City ordinance 509.1080).

Objectives

The review was performed to assess the effectiveness and timeliness of the Utility (i.e. tap water, storm water, sewer, solid waste/recycling) collections and to ensure an effective monitoring process exists.

Scope

This review included identifying and analyzing key processes surrounding Utility collection. IA reviewed internal controls, including current policies and procedures, through observation, inquiry, analytical procedures and conducted limited testing within the Utility collection processes. IA performed, on a sample basis, testing of current processes, transactions and management reports within the period of January 1, 2012 through the end of field work, October 11, 2013.

Summary of Findings and Management Responses:

Internal Audit noted that based on procedures performed, the Utility Revenue Collections process appears to be well-designed, well-controlled and functioning effectively overall. One opportunity for improvement to address risk areas observed during the review is included below.

1. Policies and Procedures

Policies and Procedures (P&P) are in place; however, they are not concise or updated timely.

Management Response

Finance Management has reviewed and updated the entire P&P document to provide concise, easy to follow guidelines and ensure alignment with current ordinances

Conclusion

Based on our review, the Utility Revenue Collection Process appears to be well controlled with an opportunity for improvement to address risk areas identified in this report. Finance and PW worked collaboratively with IA to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to the Finance personnel and PW personnel who assisted and cooperated with us during this review.

Cc: Paul Aasen, City Coordinator's Office
Sandra Christensen, Finance
Connie Griffith, Finance
Heidi Hamilton, Public Works
Brette Hjelle, Public Works
Ramon Morales, Finance
Bruce Plante, Finance
Ali Salemohamed, Finance

Utility Revenue Collections Review

1. Policies and Procedures

Policies and Procedures (P&P) are in place; however, they are hard to follow, not concise, and not updated timely. Current P&P provide guidelines for staff and can be used as the basis for staff training and development. P&P are a knowledge-based management tool which will make the transition between new and old employees easier on the department, and provide a base for consistency of processes and controls.

Recommendation

We recommend management update the P&P to ensure it matches the related ordinance and other applicable laws and regulations. Also, we recommend the procedures to be written in a concise and easy to follow manner and updated periodically.

Management Response

Finance Management has reviewed and updated the entire P&P document to provide concise, easy to follow guidelines and ensure alignment with current ordinances. In the future, management will review the P&P annually to ensure any related changes are incorporated in a timely manner.

Responsible Party Bruce Plante, Director of Treasury

Expected Completion Date Completed

Projected Cost of Implementation N/A

Projected Cost of Implementation (contents provided by CPED)		
Audit Finding		Total Estimated Cost
1	Policies and Procedures	None
Totals		\$

Abbreviations Used Throughout the Report	
City	The City of Minneapolis
Finance	Finance & Property Services
IA	Internal Audit Department
P&P	Policies and Procedures
PW	Public Works