



Council Auditor's Office

Municipal Code Compliance Division Revenue Audit Follow-up Report

Report #726A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 13, 2017

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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of past report #726, Municipal Code Compliance Division Revenue Audit, to determine whether or not corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards.

We sent follow-up letters to the Neighborhoods Department (formerly Regulatory Compliance), Finance and Administration Department, Tax Collector's Office, and the Office of General Counsel inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing on a judgmentally selected sample of findings to verify that our recommendations have been implemented as stated in the auditee's responses. The following is a brief summary of the results of our follow-up inquiry and testing.

Based on the responses received from the audited departments and our follow-up testing of a judgmentally selected sample, it appears that the departments have complied with our audit recommendations with the following exceptions:

Internal Control Weakness 1 *Lack of Segregation of Duties*

Internal Control Weakness 1 found segregation of duties issues with payment processing by the Accounting and Municipal Code Compliance Divisions. In our original report, we recommended that customers remitting payments be directed to pay the Tax Collector. Our follow up review found that both divisions continue to receive payments on occasion. We reviewed 1,896 cash receipts (CRs) for nuisance abatement liens, demolition liens, and administrative fines that were posted during fiscal year 2014/15. We found that 61 (or 3%) were processed by the Accounting Division and 120 (or 6%) were processed by the Municipal Code Compliance Division (MCCD). We also found that both divisions do not appear to have the proper segregation of duties in place for cash receipts. Although, ideally, all payments should be directed to the Tax Collector only, both divisions should put into practice proper segregation of duties for the receipt, record keeping, and reconciliation of payments - each duty by separate employees - in order to comply with the City's policy on cash receipts.

Municipal Code Compliance Division Response to the Follow-Up of Internal Control Weakness 1

Agree Disagree Partially Agree

MCCD refers customers to the Tax Collector for payment of nuisance abatement liens, city user fees, and citation payments. However, due to the nature of Administrative Fine settlements, MCCD receives and holds those payments pending review and approval of the settlement agreements. Once the settlement agreement is approved, MCCD records the payment in the PICS system, generates a CR, and takes the check payment to the Tax Collector for processing. Since the initial recommendation from the Council Auditor's Office, MCCD has divided these duties between two employees. The checks are received and noted in the PICS system by the MCEB Administrative Aide. Once the agreement is approved, the item is transferred to the Clerical Supervisor who generates the CR, delivers it to the Tax Collector, and then follows up after a few days to confirm deposit into the correct account (via FAMIS). MCCD will be implementing a procedure where one employee will receive the payment, a second employee will record and deposit the payment, and a third employee will reconcile the systems.

Accounting Division Response to the Follow-Up of Internal Control Weakness 1

Agree Disagree Partially Agree

The Accounting Division Accounts Receivable section (A/R) does not make it a practice to accept payments on customer accounts, although there are occasions when it is impractical to do otherwise. A/R will make CRs when they receive payments by mail, when they have been working with a customer on collection activities and the customer requests that A/R make the deposit to ensure the account is properly posted, and when the Tax Collector's office requests A/R to create the CR for instances such as for partial payments, etc. A list of exceptions will be made and will have Management sign-off that will be attached to the CR as a compensating control. A/R will update their SOP to reflect these changes.

Internal Control Weakness 2 *Access Rights*

Internal Control Weakness 2 found various issues with system access rights for both the Property Inspection and Contract Solutions (PICS) and lien tracking systems. We recommended roles with super access be limited to a minimum number of users and that periodic reviews of system access rights be performed. We also recommended that the Municipal Code Compliance Division ensure that access rights to the PICS system are only assigned to individual users with a valid business purpose. Our follow-up review found that access rights to the PICS system are still being granted on a group basis and there were seven users with system administrator access. Both the Accounting Division and Municipal Code Compliance Division provided support documenting some review of access rights had been performed, but we could not determine if this was being performed on a regular basis. The Municipal Code Compliance Division's policy is to perform a semi-annual review of PICS users. As of January 12, 2016, the most recent review was performed June 18, 2015 (approximately seven months earlier). The Accounting

Division's goal is to review access rights annually and they provided support that a review had been performed March 12, 2015 (approximately ten months earlier).

Municipal Code Compliance Division Response to the Follow-Up of Internal Control Weakness 2

Agree Disagree Partially Agree

Since the original audit, a semi annual system access review was conducted on February 2, 2017. While MCCD does not currently have a written policy regarding the completion of semi annual system access reviews, we will have a policy in place by April 30, 2017. Additionally, the process for assignment of user rights does incorporate user groups since the level of access to the system is driven by the person's position within the organization (Officer, Senior Officer, Supervisor, etc.), which effectively limits access to different functionality within the PICS system. This ensures comparable access within positions (all supervisors have supervisor privileges, officers have officer privileges, etc.). This method simplifies the process of changing privileges upon promotion or a change of job duties. During the latest system access review, MCCD removed several names of former employees who no longer required access to PICS and the Tax Lien Database.

Accounting Division Response to the Follow-Up of Internal Control Weakness 2

Agree Disagree Partially Agree

A/R continues to monitor and has either deleted access or disabled access to the lien system based on its review. The A/R manager reviews at least once per fiscal year with the latest review being done in January 2016.

Internal Control Weakness 3 *Problems with the Tax Lien Database*

Internal Control Weakness 3 found that there were multiple problems with the lien tracking system (a Microsoft Access database) including interfacing issues, the ability of all users to potentially manipulate data, limited public access, and reporting capability deficiencies. We recommended that the Accounting Division and the Information Technology Division evaluate the cost/benefit of replacing the current system to increase efficiency and improve security. It was originally thought that a new lien system would be included within the scope of a future Enterprise Resource Planning (ERP) project; however, it has been determined that this will not occur.

Information Technologies Division Response to the Follow-Up of Internal Control Weakness 3

Agree Disagree Partially Agree

ITD is in agreement with the Accounting Division that it is not cost effective to make modifications to the existing MS Access '97 system and will work with the Accounting Division on alternative solutions to the current system.

Accounting Division Response to the Follow-Up of Internal Control Weakness 3

Agree Disagree Partially Agree

A/R is still using the same system and will be evaluating this need in conjunction with the new system. It is not cost effective to try and make changes to the existing system at this point.

Finding 2 *Closing Administrative Cases*

During the initial audit we found that several employees were able to re-open closed cases in the PICS system and recommended that the Code Contract Compliance Manager be the only person with this ability. Our follow-up testing found that several user groups (citation clerk, clerical supervisor, code enforcement supervisor, code enforcement supervisor (acting), system administrator, and power user) are able to perform this function in the PICS system.

Municipal Code Compliance Division Response to the Follow-Up of Finding 2

Agree Disagree Partially Agree

Re-opening cases is periodically necessary to add subsequent documentation to the case records (scan additional records, make additional comments, etc.), including scanning of settlement requests and releases. This ability is assigned by user groups, and reserved for employees on the supervisory level or higher (with very limited exceptions such as system administrators and power users). As the division handles 50,000+ new enforcement cases each year, it is not feasible to restrict this activity to one person within the organization. The PICS system is designed to track case activities, including opening and re-opening cases. The audit controls in PICS identify the user (not the user group) that takes action on any given case activity. M CCD will be deleting the citation clerk user group from the list.

Finding 6 *Timely Transfer to the Collection Agency*

During the initial audit we found that the Accounting Division did not have written guidelines within its standard operating procedures (SOPs) stating when unpaid liens should be sent to the collection agency. Our follow-up review found that the Accounting Division's revised SOPs state that unpaid nuisance abatement and demolition liens should be sent to the collection agency approximately 180 days after creation. If an owner's address changed, they were given an

additional 30 days to pay. However, we found that liens are not always transferred to the collection agency within the established timeframe. We reviewed a sample of 135 liens that had been sent to collections and were closed during fiscal year 2014/15. We found that 58 liens were not sent to the collection agency within the established timeframe.

Accounting Division Response to the Follow-Up of Finding 6

Agree Disagree Partially Agree

The Accounting Division has discontinued sending liens to a collection agency. Since the liens stay with the property and not with the owner at the time the lien was issued, there is too much risk for the City for these type properties. Too many properties are changing ownership without a title search or other checks for liens and it is a extensive manual process for the A/R to check for changes in ownership. A/R experienced problems in delays in City Departments updating ownership information. Additionally, it appears that many of the collections were not primarily a result of the collection agency efforts, but are being collected through the normal course of business.

Opportunity for Improvement 1 *Collection Fees*

Opportunity for Improvement 1 recommended that the Accounting Division amend and/or rebid the contract with the collection agency to allow the City to collect from the property owner collection fees authorized by Ordinance Code Section 112.115. However, the Finance and Administration Department stated in their follow-up response letter that they plan to re-bid this contract in fiscal year 2015/16. We found that the contract has not been amended or rebid as of our follow-up and the City is not recovering collection fees authorized by the Ordinance Code.

Accounting Division Response to the Follow-Up of Opportunity for Improvement 1

Agree Disagree Partially Agree

As noted above in the response to Recommendation to Finding 6, the Accounting Division no longer send liens to a collection agency.

Opportunity for Improvement 2 *Scanned PICS Documents*

Opportunity for Improvement 2 recommended that settlement agreements, requests to reduce/rescind a fine, and release letters for each case be scanned into the PICS system. In our follow-up testing, we reviewed a sample of 50 administrative cases closed during fiscal year 2014/15 to determine if the recommended case documents were scanned into PICS. We found that 21 out of 50 cases reviewed did not have the release letter scanned into PICS and 36 out of 50 cases did not have the settlement agreement or request to reduce/rescind fine scanned into PICS.

Municipal Code Compliance Division Response to the Follow-Up of Opportunity for Improvement 2

Agree Disagree Partially Agree

MCCD is now scanning all new settlement requests and releases into the PICS system. While MCCD did review the previous list of sample cases provided by the Council Auditor's Office and retroactively scanned the settlement records, we did not go back through all previously handled case files looking for items that were not scanned into the system, as that type of review is outside the realm of possibility for our current staffing availability.

We would like to thank the Municipal Code Compliance and Accounting Divisions for their cooperation in conducting this follow-up review.

Sincerely,

Kirk A. Sherman, CPA
Council Auditor