



Clerk of the Circuit Court
Board of County Commissioners
Marion County

Internal Audit Division

David R. Ellspermann
Clerk of the Circuit Court
Wallace K. Watford
Internal Auditor

Post Office Box 1030, Ocala, Florida 34478-1030
110 NW First Avenue, Ocala, Florida 34475

Telephone: (352) 620-3904
Facsimile: (352) 620-3300
Suncom: 667-3904

MEMORANDUM

TO: Allen F. Ellison, Solid Waste Director

FROM: David R. Ellspermann, Clerk of the Circuit Court

DATE: April 17, 2000

RE: SPECIAL REVIEW OF CUSTOMER BILLING SYSTEM AND RELATED PROCEDURES

Pursuant to your request and that of Janet Tutt, Assistant County Administrator, the Internal Auditor has completed a special review to address your concerns related to the recent transfer from Finance of certain responsibilities for customer billing and accounts receivable. In particular, you requested our opinion on certain aspects of the accounts receivable billing system, potential changes to relevant ordinances and enhancements of internal departmental policies, procedures and practices.

Wallace Watford met with you, your staff and Finance staff to discuss these issues. He subsequently worked with your staff to review and observe the performance of the accounts receivable billing system, including its relationship with the scale house ticket system, and to discuss and review potential enhancements to Solid Waste ordinances and franchise agreements.

Based on the Internal Auditor's review, **we have concluded that** the transition from Finance of customer billing and accounts receivable maintenance responsibilities occurred satisfactorily and the Department is appropriately performing its duties. We did note that opportunities exist for enhancements in the internal departmental procedures and practices related to the accounts receivable billing system and that existing County ordinances and franchise agreements should be revised. The recommendations presented on the following pages were refined from discussions with, and suggestions from, you and your staff.

We appreciate the opportunity to conduct this special review and trust these results meet your needs and expectations.

c: James L. Lowry, County Administrator
Janet Y. Tutt, Assistant County Administrator
Edwin L. Smith, Assistant County Administrator
John W. Garri, Finance Director

SOLID WASTE DEPARTMENT SPECIAL REVIEW

BACKGROUND

Solid Waste customer billings and accounts receivable maintenance activities have been performed by the Finance Department of the Clerk's Office for more than two years using the SMS 2000 software system. Customer invoices are based on information uploaded from a subsidiary system which records daily activities at the scale house. There had been some difficulties in the past that were thought to be substantially caused by transmission errors from the Solid Waste network server to the Finance network server. The information from Solid Waste's computer system was sent by telephone wire to Finance and it appeared transmission errors occurred. Beginning in March 2000 with the February billing, Solid Waste performed the tasks necessary to create customer invoices directly from its computer system. Finance staff assisted in the turnover of these duties and training of Solid Waste personnel.

Wallace Watford, Internal Auditor, met with appropriate Solid Waste personnel (Mike Sims, Joy Heizman, Julie Nixon) to gain sufficient understanding of Solid Waste system and related procedures to maintain correct information in its customer billing database. Several discussions were held, as well as on-site observations of customer account information beginning with the scale house transactions through customer invoice preparation. In addition, the Internal Auditor observed the process for the March billing cycle. No significant errors, concerns or difficulties were noted.

The Internal Auditor met with the Director and Mr. Sims to discuss their present plans and suggestions for revising Chapter 16 (Solid Wastes) of Marion County Code, franchise agreements and internal departmental procedures. He then reviewed applicable Marion County Code, selected resolutions and franchise holder agreements in order to determine if improvements are possible and warranted.

We have concluded that the new arrangement of Solid Waste performing the customer invoice tasks has had a successful transition. Additional time should be allowed for Solid Waste staff to become completely trained and proficient in all aspects of the system in order to ensure major problems are identified and resolved. Further, **we have concluded that** the County Code and resolutions could be revised and updated and we concur with Management's intent to do so. Based on our review, we present the following recommendations for Management's consideration.

RECOMMENDATIONS

Concerning the Accounts Receivable/Customer Billing System, **we recommend or concur that** the Solid Waste Department:

- 1) Prepare a comprehensive list of SMS 2000 open issues for submission to vendor for clarification and resolution. Finance should be requested to review and comment on the list.
- 2) Obtain more extensive experience with the system (at least three months) to determine if all significant problems have been identified and resolved. During this time, and with Finance input, the Department should determine if the vendor can fix the identified problems and at what cost. At the end of the period, it then should be determined if this system meets the Department's requirements or if a new system should be considered.

SOLID WASTE DEPARTMENT SPECIAL REVIEW

- 3) Prepare an internal procedures manual for use by department personnel. This manual should be implemented promptly and can be later revised, updated or improved as the system is further used. The manual should include at least the types of activities and personnel positions involved in the process from scale ticket to customer payments, including daily reconciliations, invoice preparation and verification and invoice mailing. Finance should be requested to provide input in the creation of such manual.
- 4) Impose interest on delinquent customer accounts. The rate of 12% per annum is clearly stated on the "Application For Monthly Billing At Baseline Landfill" which also states that "service charge will be added to any account balance not paid by the 20th day of the month." Although this is acknowledged by customer signature, such service charge (interest) has not been imposed on Solid Waste customer accounts.

The imposition of interest on customer accounts is already in practice within County government. The Marion County Utility Authority, by resolution as allowed by Chapter 19 (Water and Sewers) of Marion County Code, has imposed a late payment fee on unpaid accounts. This fee is \$2.00 plus 1.5% of unpaid balance, but not less than \$5.00. This would be a good model for Solid Waste customer accounts. Since imposing interest on Solid Waste customer accounts has not been past practice, it may be advisable to inform customers that this will be implemented at a future date certain. The policy to impose allowable interest, the conditions and the per annum rate (12%, 18% or other) should be approved by the County Administrator and County Attorney.

- 5) Pursue collection of delinquent accounts through services of the County's contracted collection agency. This will only require contact with the agency (Gila Corporation, d/b/a Municipal Services Bureau) to establish procedures and account specifications. Procedures and conditions under which accounts would be turned over should be reviewed and approved by the County Administrator and County Attorney.
- 6) Promptly follow up on lapsed surety bonds provided by any franchise holder. The County has franchise agreements with five companies for garbage collection, removal and disposal. Presently there is one applicable franchisee that staff has contacted to obtain the current surety bond. To be most effective, the expiration dates, amounts and terms of a surety bond should be identified and tracked in order to ensure renewal before expiration.

Concerning the Solid Waste Code, resolutions and franchise agreements, **we recommend or concur that** the Solid Waste Department:

- 7) Determine if surety bonds or cash deposits can be required from existing franchise holders to ensure full payment. The surety (performance) bond is a good business practice that is not specified in Code or in the respective franchise agreements. The surety bond is in lieu of a cash deposit which is also not specified in Code or in the respective franchise agreements. Each agreement has a five year term and it will be some years before renewals can be negotiated. The Department has already established a "past practice" by requesting and receiving a surety bond from one franchisee. It seems to be in the best interest of the County to obtain additional

SOLID WASTE DEPARTMENT SPECIAL REVIEW

financial assurances of franchisee performance before the expiration of current agreements. This issue will require the advice of the County Attorney in determining whether all franchisees could and should be required to post surety bonds or cash deposits based on past practice and the requirement for escrow payments stated on the “Application For Monthly Billing At Baseline Landfill” form.

- 8) Revise Chapter 16 of Marion County Code and related resolutions to reflect appropriate current and proposed business practices, with the advice and consent of the County Administrator and County Attorney. The revisions should include the County’s abilities to: require and maintain customer deposits or surety bonds from regular customers and franchise holders; impose interest on delinquent accounts; and refer delinquent accounts to a collection agency. Regarding customer deposits, the present customer application form states the requirement of an “escrow payment of 1 ½ times monthly charge, non-interest bearing”, which clearly indicates the past practice of deposits.

Code Chapter 19 (Water and Sewers) and pertinent resolutions should be reviewed to determine if these are appropriate models for Solid Waste. Further, a survey of other Counties should be conducted to determine current practice in the “industry” and use those most appropriate for Marion County.

The revision process will also allow management to closely examine all sections of existing Code and resolutions to identify those sections no longer applicable or not consistently followed. This is needed in order to determine current applicability and enforcement and whether further revisions are needed.

- 9) Revise form of franchise holder agreements to reflect appropriate current and proposed business practices, with the advice and consent of the County Administrator and County Attorney. At a minimum, the revisions should include the County’s abilities to: require and maintain customer deposits or surety bonds from franchise holders; impose interest on delinquent accounts; and refer delinquent accounts to a collection agency. The revision process will also allow management to closely examine all sections of the agreement to determine current applicability and enforcement.
- 10) Implement franchisee monitoring system to ensure compliance and enforcement with Marion County Code. For example, Code section 16-19 requires the franchise holder to provide semi-annual and annual financial reports and evidence of current insurance. As another example, Code section 16-24 requires the Department to perform an annual inspection of franchisee vehicles prior to issuing vehicle decals. To ensure enforcement of the Code, a formalized monitoring system should be developed that identifies the compliance and enforcement issues and documents when, if and how performed.