

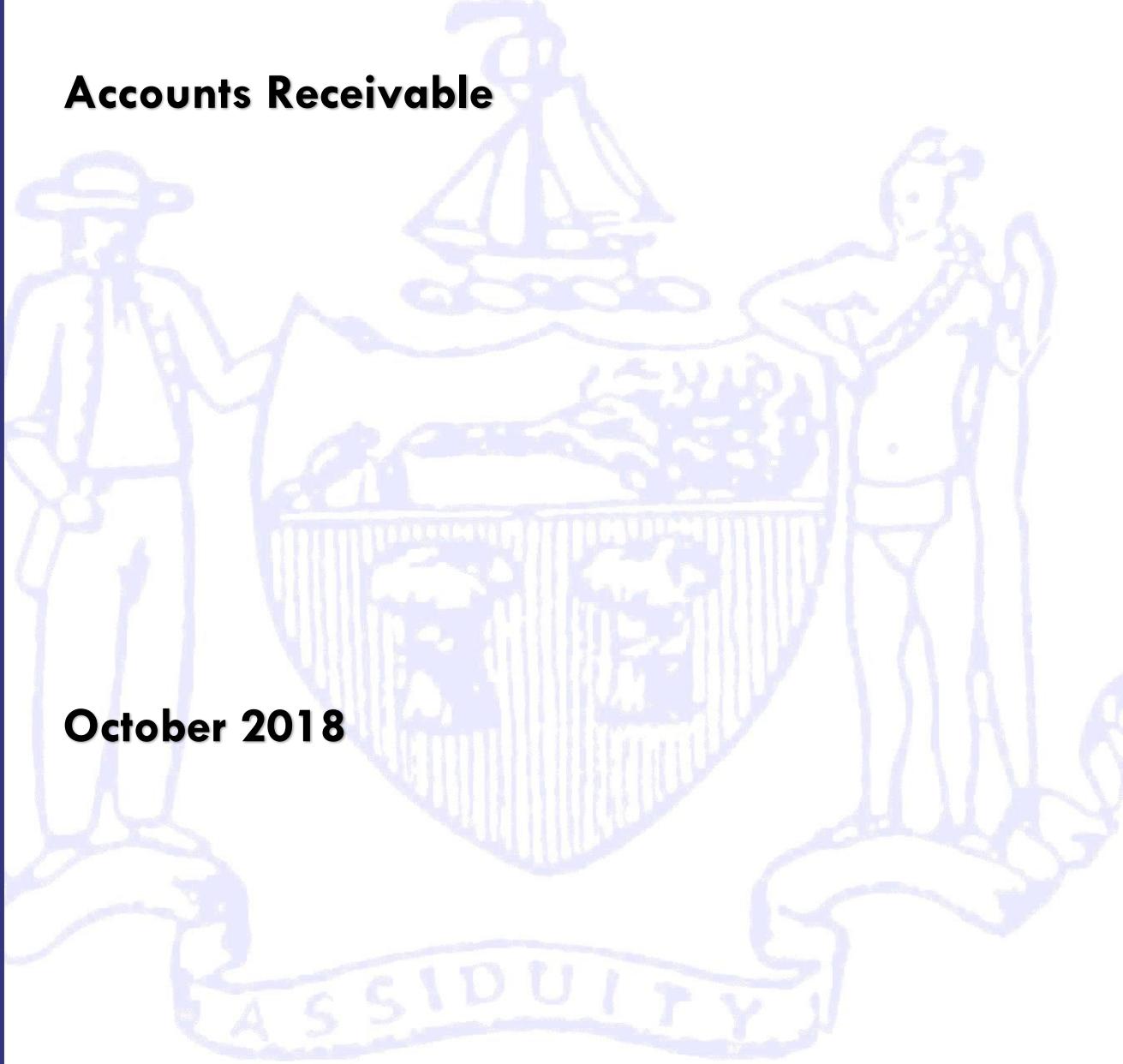
Office of Audit and Control

AUDIT REPORT

Accounts Receivable

October 2018

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Preface

The Office of Audit and Control (OAC) exists to provide oversight, transparency and public accountability as a means to improve The City of Albany (City) Administration accountability. This audit is a part of that function.

When the OAC takes on an audit subject and, setting aside issues of misconduct, the City department(s) or entities concerned respond proactively to address the audit's findings, it is the commitment of the OAC to support and encourage use of the audit process by City departments as a means to improve overall operations.

This audit was conducted with the full cooperation of the Treasurer's Office, including Darius Shahinfar, the City Treasurer, the Budget Office, the Department of Human Resources, and the Department of General Services. The City of Albany Administration and Treasurer's Office have committed to addressing any findings.

The proper use of the audit findings in these circumstances is to provide for oversight of the resulting changes and to serve as the basis to foster informed public policy discussions.

Politized use of this audit's findings is unfair and damaging to the OAC processes and will be viewed as detrimental to our mission.

The OAC thanks the Treasurer's Office, the Budget Office and Darius Shahinfar, the City Treasurer for their cooperation and commitment.

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Background

The City of Albany is supported by a variety of revenue sources including sales taxes, property taxes, franchise fees, development-related fees, licenses and permits, and other charges for City services. These revenues are collected in various ways, by various departments, including cash collections at the point of service, property tax reimbursement from Albany County, and billing residents and former employees for services, fines, or other charges.

The City utilizes an Enterprise Resource Planning (ERP) software program for financial management. In July of 2016, the City transitioned from its previous system, AS400, to the current system, New World. Review of an Accounts Receivable Aging Report dated 9/30/18 brought to the attention of this office that \$3,041,683 in receivables was registered in the City's ERP system as over 90 days past due. It was noted that over half of this amount, \$1,594,967.16, was comprised of reimbursements for Emergency Demolitions.

Introduction

In initiating this audit, the OAC's larger goal was to determine whether the integrity of the financial position of the City is maintained and is accurately represented in New World. The receivable categories in New World that the OAC chose to address are Demolition Billing, Fuel, Hospitalization charges (former employee related Health Insurance), PILOTs (Payments in Lieu of Taxes), Police Detail (for Reimbursable Police Detailing), Waste Collection Fees, Radio System Usage, Salt, and Miscellaneous. These categories are administered by several different departments.

The primary objective of this audit is to confirm that payments received are recorded correctly in the New World system and that a procedure is in place to collect past due amounts. The OAC conducted interviews with the employees of several departments and performed tests of the system. The Treasurer's Office worked in cooperation with the OAC to conduct this examination of the collection of the City's accounts receivable (A/R).

Audit Findings:

1. Some demolition receivables were not adjusted in the New World system when these reimbursement charges were transferred to the property owner's tax bill.
2. An A/R journal entry was not created for several revenue sources. The examples we discovered were the Symetra Tour's Fuccillo Kia Classic and Street Openings.
3. In some cases, payments were collected by the Treasurer's Office, but the entry in the New World system did not include the necessary information needed to match it to the corresponding A/R item.
4. The Treasurer's Office does not have an adopted procedure for departments or Treasurer to follow up on uncollected past due receivables and also determine the appropriate reserve rates for its allowance for uncollectible accounts calculation.
5. The Treasurer's Office has not completely reconciled the A/R Aging Report in order to determine what items from the 2016 and 2017 fiscal years need to be written-off.
6. The Department of Human Resources along with the Treasurer's Office does not have an effective procedure in place to determine whether continued insurance coverage for former employees should be canceled due to non-payment of past-due contributions. Additionally, sufficient steps have not always been taken to ensure these past-due contributions are collected.
7. While all newly generated Department of Human Resources A/R are created in New World, some historical A/R remains solely on the AS400 and have not been collected.
8. The City has a receivable entered into New World for a radio system project for both the 2017 and 2018 budget years. It was found that this project has been discontinued at the beginning of 2018.
9. The A/R Aging Report as of September 30, 2018 did not match the Balance Sheet as of September 30, 2018.

Scope, Objective and Methodology

Scope

This audit focused on the City's A/R balance and used the A/R Aging Report as of September 30, 2018 for its analysis. The audit included an examination of receivables incurred during the 2016, 2017 and 2018 fiscal years.

Objectives

The objectives of this audit were as follows:

1. Determine whether the City recorded payments and reduced appropriate receivables accordingly;
2. Determine whether there are budgeted revenues that are not collectable or efforts should be made to collect;
3. Determine whether the City created an A/R entry for future payments;
4. Review and evaluate the type of records that are maintained to support the receivables;
5. Review the process from when the A/R is created to when the payment is received, collection is attempted or the receivable is written-off; and
6. Determine if the City has uncollectible accounts receivable to write off.

Methodology

The overall audit methodology consisted of the following:

- Examination of the A/R Aging Report from the City's current New World system
- Interviewing and meeting with each department to determine departmental procedures for A/R

Historical Year-End Accounts Receivable

Calendar Year	Accounts Receivable Ending Balance	Y/o/Y Change
2003	\$2,614,516	
2004	\$2,458,602	-6%
2005	\$2,343,769	-5%
2006	\$2,271,150	-3%
2007	\$2,128,865	-6%
2008	\$1,943,785	-9%
2009	\$1,693,443	-13%
2010	\$2,814,530	66%
2011	\$2,079,306	-26%
2012	\$2,245,763	8%
2013	\$1,733,177	-23%
2014	\$1,557,691	-10%
2015	\$4,158,451	167%
2016	\$5,061,925	22%
2017	\$5,779,796	14%

The chart above indicates that the City's year-end Accounts Receivable has increased on its audited financial statement over the past 15 years from \$2,614,516 to \$5,779,796. In the last three years, the City has an average ending balance of \$5,000,000. In comparison, the previous three year average ending balance was \$1,845,000 for 2012 through 2014. In 2016 and 2017, even though a large portion of the A/R is for Demolitions, at year-end the Demolitions were supposed to be transferred to the tax bills up to and including October of the current year. One of the OAC's objectives is to determine the percentage of A/R that should be deemed uncollectible and written off.

2016 ERP Transition

In July 2016, the City transitioned from its previous ERP system, AS400, to New World. The OAC is unable to determine whether all A/R were transferred and reconciled from AS400 to New World because the OAC had limited access to generate accounts receivable Aging Reports on AS400. However, the OAC generated an aging A/R report from New World as of December 31, 2016 and

observed \$765,044 outstanding A/R with 90+ days past due uncollected. The OAC cannot verify whether this amount reflects and includes all of the balances from AS400.

Departmental Meetings

On October 9, 2018 the OAC met with the Treasurer's Office and the Budget Office to discuss the start of the audit. The agenda included a discussion on the transition from AS400 to New World, the A/R process including posting, collecting, transferring to property tax bills, reconciling, and writing off A/R. Similar meetings were conducted with the Department of Human Resources (HR) on October 11, 2018 to discuss health insurance-related charges, and with the Department of General Services (DGS) on October 15, 2018 to discuss DGS charges (e.g. Fuel, Salt, and Waste Collection Fees). [Exhibit I](#) shows the department that is responsible for billing customers for specific revenue items.

Exhibit I: The City's Accounts Receivable Categories

Billing Code	Description	Department in charge of billing
ACDA	Fuel purchased from DGS by the Albany Community Development Agency (ACDA)	DGS
Alarm	N/A	N/A
False Alarm		
Animal Control	The City of Albany pays Mohawk Hudson (annually) for holding dogs that are seized and transported to the shelter facility. Fines are charged to the owner when the pet is picked up. Fines and redemptions are paid at the Treasurer's Office via the City Clerk's Office.	Albany Police Department – Animal Control
Bus Permits	N/A	N/A
Cap City Fund	New York State Capital City Fund approved in the state budget.	Treasurer's Office
DEMO	In an emergency situation in which the Department of Buildings & Regulatory Compliance (BRC) determines a structure is unsafe, the City intervenes and hires a contractor to demolish the structure and bills the property owner. If the property owner does not pay the invoice, the cost of the demolition is transferred to the property tax bill.	Buildings & Regulatory Compliance
DGS3	Fuel and salt sold by DGS to other city entities, the City School District of Albany for example.	DGS
ENP – Police Emergency	N/A	N/A

Billing Code	Description	Department in charge of billing
PILOT*	Due from New York companies and individuals	Treasurer's Office
PILOTBID	Due from the customer "United Capital Corp, Hotel / Altus"	Treasurer's Office
PILOT-SCH	PILOT collected by the City of Albany on behalf of and due to the City School District of Albany.	Treasurer's Office
Police Details	Third parties are charged for services provided by the Albany Police Department.	Police Department
Radio System	A joint effort of local municipalities within Albany County to create a radio system for emergency purposes. The City of Albany assumed the responsibility of collecting funds from all of the participating municipalities	Treasurer's Office
Rent	Due from Martel's Restaurant occupancy at the Capital Hills at Albany.	Treasurer's Office
WCF220/	2 Family,	DGS
WCF230/	3 Family, and	
WCF411	Apartment Waste Collection Fees	
Hospitalization	Retired former employees, former employees with COBRA, and	HR
Charges	surviving spouses of deceased retirees who pay partial or full premium to maintain their health insurance coverage, vision and/or dental insurance.	

*Manufacturing, industrial, and not-for-profit companies may receive property tax incentives through agreements with government agencies. The City of Albany Industrial Development Agency (IDA) issues these agreements. Through these agreements, properties are exempt from property taxes and instead make a Payment in Lieu of Taxes (PILOT). There are different types of PILOTs: voluntary and involuntary. A voluntary PILOT is based on fairness and good citizenship, since the entities involved are generally using or benefiting from municipal services, such as public safety and road maintenance. Voluntary PILOTs, however, are not legally required payments. An involuntary PILOT is based on the City's request to the entity for payment, is legally binding, and is usually part of IDA structured deals to encourage development. Involuntary PILOTs are formally structured and only valid for a set number of years. Once the involuntary PILOT expires, property tax payments are required going forward like other properties in the City.

Audit Results

Department of General Services

During the meeting with DGS on October 15, 2018, the OAC inquired as to why there were no A/R accounts set-up for National Grid street openings and the Symetra Tour tournament. Street openings

occur when contractors/utility companies need to repair/install gas or electric infrastructure or piping and dig holes or trenches in the City streets. Since the City owns its streets, companies are required to compensate the City based on the size of the trench or hole. National Grid has the largest need for street openings. The Fuccillo Kia Classic of NY is a golf tournament that is part of the Symetra Tour, which is the official developmental golf tour of the LPGA Tour, and is known as “the Road to the LPGA.” It is held at the Capital Hills at Albany Golf Course and has been budgeted for a \$20,000 fee for the past four years; however, there has been no recognition of the collection of this revenue on the corresponding G/L account in New World. Please refer to [Exhibit II](#) to see the G/L account set up for the Symetra Tour (2025.07). The OAC is unable to verify if payments have been made for the last four years. In the past, the departments did not have access to revenue accounts. As a result of this Audit, the correct entry has been recorded. There is a formal written agreement, made as of June 22, 2018, between the City and Albany Sports Group, the tournament’s organizers. Section 7 of the agreement states “To guarantee adequate cleaning and care of the greens, and pursuant to Albany City Code § 251-31, the LICENSEE shall be required to deposit \$10,000 with the City Treasurer...” The OAC is not aware of any deposit made by Albany Sports Group to cover cleaning costs or costs associated with any damage done to the greens and/or surrounding property.

The OAC reviewed DGS’s billing procedure. DGS bills for the charges described in [Exhibit I](#) and sends a copy of the invoice to the Treasurer’s Office for reference when the office collects payment. DGS has A/R related to Salt and Fuel totaling [\\$90,175](#), which are more than 90 days past due and were incurred in the 2016 and 2017 fiscal years. Please refer to [Exhibit II](#) for DGS’s Aging Report regarding these past due amounts.

Exhibit II: DGS's Aging Report (Fuel and Salt only)

	Current	1-30	31-60	61-90	90+	Total
2016						
ACDA - ACDA	\$ -	\$ -	\$ -	\$ -	\$ 67,888.84	\$ 67,888.84
Fuel - Fuel	\$ -	\$ -	\$ -	\$ -	\$ 7,340.83	\$ 7,340.83
2016 Total	\$ -	\$ -	\$ -	\$ -	\$ 75,229.67	\$ 75,229.67
2017						
Fuel - Fuel	\$ -	\$ -	\$ -	\$ -	\$ 7,077.24	\$ 7,077.24
Salt - Salt	\$ -	\$ -	\$ -	\$ -	\$ 7,868.13	\$ 7,868.13
2017 Total	\$ -	\$ -	\$ -	\$ -	\$ 14,945.37	\$ 14,945.37
2018						
ACDA - ACDA	\$ 106,745.36	\$ -	\$ -	\$ -	\$ -	\$ 106,745.36
Fuel - Fuel	\$ 5,887.25	\$ 3,545.28	\$ 580.78	\$ -	\$ -	\$ 10,013.31
2018 Total	\$ 112,632.61	\$ 3,545.28	\$ 580.78	\$ -	\$ -	\$ 116,758.67
Grand Total	\$ 112,632.61	\$ 3,545.28	\$ 580.78	\$ -	\$ 90,175.04	\$ 206,933.71

Buildings & Regulatory Compliance

As illustrated in [Exhibit I](#), the cost of building demolitions are passed through to property owners. If the property owner does not pay the City's invoice, the cost of the demolition is added to the owner's property tax bill. If the owner does not pay the property tax bill, the City is made whole and paid by Albany County. At this point, Albany County pursues payment collection from the property owner. The City does not profit from emergency building demolitions. Buildings are only demolished when inspectors determine that the structure is unsound and presents an imminent danger to the public.

The OAC discovered that, in some cases, demolitions had been transferred to the property tax bill but other demolitions A/R had not been. Demolition work which is done in the later part of the year, after the tax bills have been generated, need to be rolled onto the tax bills for the following year if the original invoice from BRC remains unpaid. In these cases, we found that the transfer onto the following year's taxes is often missed. The OAC also determined that some Demolitions A/R were still outstanding on the A/R Aging Report even though these demolition charges had already been transferred to the property tax bill. In other words, the demolitions receivable as well as the property tax receivable had an outstanding balance. If the demolition charges are not removed from the demolitions receivable when transferred to the property tax receivable, this causes a double booking of revenue.

The City has not written off some of its A/R over 90 days past due from the 2016 and 2017 fiscal years. As illustrated in [Appendix I](#) - Aging Report as of September 30, 2018, there is an outstanding

demolitions receivable balance of \$1,127,115 from charges incurred in the 2016 and 2017 fiscal years. The \$1.1 million should have been reconciled and transferred to the following year's property tax bills. The City does not have a policy in place to reconcile the A/R Aging Report. The Treasurer's Office maintains payment receipts handwritten in receipt books. The OAC discovered that transaction descriptions in New World do not always specify the source of collection or provide sufficient detail. In most cases, the description is "Revenue Collection." The use of generic descriptions makes it difficult to match collected revenue to its corresponding A/R entry, and hinders reconciliation and audit processes. This can create inefficiencies in the City's procedures to recognize collected revenue.

Hospitalization Charges

Certain former employees, surviving spouses, and injured employees are eligible to maintain health insurance through the City. Retired employees can continue to pay the normal employee portion of the health insurance premium and maintain coverage. Former employees that opt for COBRA coverage and surviving spouses of deceased retirees are responsible for the entire monthly health insurance premium payment. The Department of Human Resources sends monthly invoices to these individuals for payment of their premium. These bills are labeled "Hospitalization Charges" as an A/R category.

The OAC determined that HR has been extending health insurance coverage for individuals that had not made payments, for as long as 12-months. The Treasurer's Office, which receives and processes payments, and HR, which generates and mails the invoices, need to be in regular communication regarding instances of nonpayment and past due accounts. In some cases, communication has been incomplete and has led to health insurance coverage being renewed and extended for nonemployees despite nonpayment. HR informed the OAC about a previous reconciliation procedure, in which the Treasurer's Office regularly met with HR to review cases of nonpayment and past due receivables. These regular meetings would result in the cancellation of coverage for those persons whose accounts were not current. This procedure has been discontinued. Another issue HR has brought to our attention during the course of this audit is that some Hospitalization A/R was still outstanding and unpaid at the time that the City transferred its data from the old ERP system to the new. HR believes that these receivables may not have been included in the data migration. As previously mentioned, the OAC has not been able to investigate this question as it has limited access to the AS400 data.

Collection Efforts for Past Due Receivables

In a follow-up meeting with HR on November 29, 2018, the OAC learned that the Corporation Counsel is responsible for pursuing collections proceedings for past due receivables. On a case by case basis, the Corporation Counsel determines the likelihood of a receivable's collection and estimates the amount that is likely to be successfully collected; however, there is not a written policy governing this procedure. Although there is also no written policy regarding the timing of Hospitalization billing, HR allows for a 45 day billing cycle. Currently, HR mails invoices in the middle of the month for the following month's coverage period. The invoices are due on the first of the month to prepay one month of coverage. Ideally, if payment has not been received by the 15th of the month, HR should notify the individual that a payment has not been received. HR also informs the individual that the coverage will be canceled retroactively at the end of the month if a payment is not received. As long as HR cancels coverage by the end of the month, the City will not be responsible for charges incurred retroactive to the beginning of the month.

After further investigation, the Treasurer's Office discovered canceled checks, in some instances, that had not been credited to the corresponding Hospitalization receivable in New World. The Treasurer's Office has corrected these errors. Prior to this audit, HR had not sent an account statement to notify an individual of an outstanding balance. Following the OAC and HR's review of Hospitalization A/R, HR has mailed an account statement with the past due balance with the latest monthly invoice.

Other Receivables

The OAC learned that the Radio System Access A/R, shown in [Appendix I](#), is related to a joint effort among local municipalities within Albany County to create a shared radio system for emergency purposes. The City of Albany assumed the responsibility of collecting the funding due from each of the participating municipalities. This project has now been abandoned and the City did not collect the funds from the other local municipalities. However, the A/R remains on the balance sheet and needs to be written-off.

The APD False Alarms, Fire False Alarms, and Fire Alarm Inspections revenue line items have been budgeted for a total of \$761,000 since 2015. However, there has not been any revenue generated from these services over at least the past four years. The Fire Department, Police Department, and Budget Office have eliminated these line items from the 2019 City budget.

Revenue from Animal Control Fines has been budgeted and generated but there have not been any corresponding receivables created in New World. Currently, revenue from these fines is only recognized in New World when payments are received by the Treasurer's Office. The reason for this is that, in the existing procedure, the Treasurer's Office is not notified when the fine is incurred. Rather, fines are issued and collected as two separate, unlinked transactions. A procedure should be established requiring that the Treasurer's office be notified at the time of the issuance of a fine. The Treasurer's office would then have the opportunity to create a corresponding receivable, and recognize the revenue in New World.

Exhibit III: Account Receivable Update as of January 18, 2019

	As of 9/30/18		As of 1/18/19	
	90+		90+	% Change
2016				
ACDA - ACDA	\$ 67,888.84		\$ -	-100%
DEMO - Demolition Billing	\$ 40,400.00		\$ -	-100%
Fuel - Fuel	\$ 7,340.83		\$ 609.88	-92%
Hospital - Hospitalization Charges	\$ 13,188.26		\$ 11,385.16	-14%
2016 Total	\$ 128,817.93		\$ 11,995.04	-91%
2017				
DEMO - Demolition Billing	\$ 1,086,715.04		\$ 155,513.38	-86%
Fuel - Fuel	\$ 7,077.24		\$ 1,596.96	-77%
Hospital - Hospitalization Charges	\$ 22,794.26		\$ 20,367.40	-11%
Police Details - Reimbursable Police Detailing	\$ 59,375.00		\$ 45,768.75	-23%
Radio System - Radio System Access	\$ 5,000.00		\$ 5,000.00	0%
RENT - Monthly Rental	\$ 11,400.00		\$ -	-100%
Salt - Salt	\$ 7,868.13		\$ 7,868.13	0%
2017 Total	\$ 1,200,229.67		\$ 236,114.62	-80%
Grand Total	\$ 1,329,047.60		\$ 248,109.66	-81%

Exhibit III reflects the total amount of A/R outstanding from 2016 and 2017. During the course of this audit, the City has made an effort to clean up the aging accounts receivable report. The aging report has \$248,109.66 outstanding from 2016 and 2017 as of January 18, 2019 compared to \$1,329,047.60 as of September 30, 2018.

Exhibit III: Historical False Alarm and Animal Control Budgeting

	Adopted Budget	Encumbrances	Actual Amount	Percentage Used w/ Encumbrances	Remaining Budget w/ Encumbrances
■ A.1000.1520.03 - APD False Alarms	(150,000.00)	0.00	0.00	0.00%	(150,000.00)
Calendar 2015	(50,000.00)	0.00	0.00	0.00%	(50,000.00)
Calendar 2016	(50,000.00)	0.00	0.00	0.00%	(50,000.00)
Calendar 2017	(30,000.00)	0.00	0.00	0.00%	(30,000.00)
Calendar 2018	(20,000.00)	0.00	0.00	0.00%	(20,000.00)
■ A.1000.1540.01 - Fire False Alarms	(200,000.00)	0.00	0.00	0.00%	(200,000.00)
Calendar 2016	(100,000.00)	0.00	0.00	0.00%	(100,000.00)
Calendar 2017	(75,000.00)	0.00	0.00	0.00%	(75,000.00)
Calendar 2018	(25,000.00)	0.00	0.00	0.00%	(25,000.00)
■ A.1000.1560.02 - Fire Alarm Inspections	(411,000.00)	0.00	0.00	0.00%	(411,000.00)
Calendar 2015	(137,000.00)	0.00	0.00	0.00%	(137,000.00)
Calendar 2016	(137,000.00)	0.00	0.00	0.00%	(137,000.00)
Calendar 2017	(137,000.00)	0.00	0.00	0.00%	(137,000.00)
■ A.1000.2501.06 - Animal Control Fines	(20,000.00)	0.00	(10,979.00)	54.90%	(9,021.00)
Calendar 2013	(6,000.00)	0.00	(2,810.00)	46.83%	(3,190.00)
Calendar 2014	(6,000.00)	0.00	(2,278.00)	37.97%	(3,722.00)
Calendar 2015	(1,300.00)	0.00	(2,245.00)	172.69%	945.00
Calendar 2016	(2,200.00)	0.00	(1,170.00)	53.18%	(1,030.00)
Calendar 2017	(1,500.00)	0.00	(1,450.00)	96.67%	(50.00)
Calendar 2018	(1,500.00)	0.00	(1,026.00)	68.40%	(474.00)
Calendar 2019	(1,500.00)	0.00	0.00	0.00%	(1,500.00)
Grand Total	(781,000.00)	0.00	(10,979.00)	1.41%	(770,021.00)

Voluntary PILOT Default

In 2015, the City entered into an agreement with Fuller Road Management Corporation (FRMC) for a Voluntary PILOT. Under this agreement, FRMC agreed to pay the City \$500,000 per year in 2015, 2016, and 2017. FRMC made a payment of \$500,000 for 2015. However, FRMC then defaulted on its obligations to pay the City \$500,000 in 2016 and \$500,000 in 2017.

The City set up two accounts receivable for \$500,000 for these two years. However, the funds were ultimately determined uncollectible and \$1 million was written-off via adjusting journal entries in the City's 2017 Audited Financials. Prior to the start of this audit, this issue of the uncollectible FRMC PILOT was raised by the OAC with the Treasurer's Office and the Independent Auditors. The uncollectible \$1 million was written-off and therefore was not part of the Accounts Receivable Aging Report included in this audit. Also, since the Independent Auditors required the receivable to be written off after the City submitted the financials to New York State; this correction will be made to the State in 2018's filing.

Recommendations

Recommendation #1 - The OAC recommends a quarterly meeting between the Treasurer's Office and the Department of Human Resources to reconcile Hospitalization A/R. These two departments should work together at these regular meetings to review unpaid accounts, especially those over 90 days delinquent, and to determine, in each case, whether the appropriate course of action is to pursue collection or to cancel insurance. The AS400's 288 outstanding invoices in this category, totaling \$48,734.10, do not match the balance sheet. The Treasurer's Office should determine if these are collectible or if the balance needs to be written off. The OAC recommends that HR reviews health insurance coverage on a monthly basis and track instances of late or missed payments.

Recommendation #2 - When posting revenue collection, the OAC recommends the Treasurer's Office include descriptions with specificity to identify the source of revenue.

Recommendation #3 - The OAC recommends that the Treasurer's Office write off balances already determined to be uncollectible.

Recommendation #4 - The OAC recommends that cashiers in the Treasurer's office be re-trained to ensure that payments received are appropriately tied to corresponding accounts receivable before cash is recorded. This prevents double bookings of revenue.

Recommendation #5 - The OAC recommends the Budget Office reviews prior revenue G/L accounts to avoid budgeting for revenues that did not historically materialize, including voluntary PILOTs such as the \$1 million FRMC PILOT, which was not paid in 2016 and should not have been budgeted for 2017 (or recorded as a receivable). Additionally, the OAC recommends that the Treasurer's Office and departments review and confirm that revenue is booked in the appropriate budgeted line item.

Recommendation #6 - The OAC recommends that the City create A/R line items for the Symetra Tour, Street Openings, and Animal Control Fines.

Recommendation #7 - The OAC recommends the creation of a policy and procedure for the review and collection of past due receivables.

Conclusion

Through this investigation of the City of Albany's Accounts Receivable Aging Report, the OAC has concluded that the City has been booking some accounts receivable that haven't been able to be collected. Additionally, there have been instances where the City has not applied revenue collected to the corresponding A/R line items. This is a problem because the City is unable to accurately determine whether some A/R has been collected or not.

During this audit, the Treasurer's Office, utilizing its receipt books, has been able to identify many receivables for which payment had already been received. The OAC identified additional Demolition A/R totaling \$202,611.24 that had already been transferred to the tax bill. These errors have been corrected. Going forward, steps should be taken to ensure that revenue is prepared using the accrual basis of accounting on the income statement, and then, if an A/R is never collected, the corresponding revenue is then written off. The OAC believes a reconciliation process for the A/R and other recommended improvements will better allow departments to budget future revenues.

The City's total receivables increase substantially throughout the year due to the accumulation of demolitions invoices; however, at the end of the year the demolitions accounts receivable should be reconciled by transferring the unpaid amounts to the corresponding property tax bills.

During the course of this audit, the OAC, the Treasurer's Office, and various departments have worked together to pursue the collection of these receivables, and have made appropriate adjustments in order to book these correctly to reflect accurately in New World. The OAC continues to monitor the reconciliation of the A/R Aging Report. Also, as a follow-up to this audit, the OAC will confirm that the Balance Sheet equals the A/R Aging Report so that the records for the City of Albany are accurately reflected.

Appendix I

Accounts Receivable Aging September 30, 2018

	Current	1-30	31-60	61-90	90+	Total
2016						
ACDA - ACDA	\$ -	\$ -	\$ -	\$ -	\$ 67,888.84	\$ 67,888.84
DEMO - Demolition Billing	\$ -	\$ -	\$ -	\$ -	\$ 40,400.00	\$ 40,400.00
Fuel - Fuel	\$ -	\$ -	\$ -	\$ -	\$ 7,340.83	\$ 7,340.83
Hospital - Hospitalization Charges	\$ -	\$ -	\$ -	\$ -	\$ 13,188.26	\$ 13,188.26
2016 Total	\$ -	\$ -	\$ -	\$ -	\$ 128,817.93	\$ 128,817.93
2017						
DEMO - Demolition Billing	\$ -	\$ -	\$ -	\$ -	\$ 1,086,715.04	\$ 1,086,715.04
Fuel - Fuel	\$ -	\$ -	\$ -	\$ -	\$ 7,077.24	\$ 7,077.24
Hospital - Hospitalization Charges	\$ -	\$ -	\$ -	\$ -	\$ 22,794.26	\$ 22,794.26
Police Details - Reimbursable Police Detailing	\$ -	\$ -	\$ -	\$ -	\$ 59,375.00	\$ 59,375.00
Radio System - Radio System Access	\$ -	\$ -	\$ -	\$ -	\$ 5,000.00	\$ 5,000.00
RENT - Monthly Rental	\$ -	\$ -	\$ -	\$ -	\$ 11,400.00	\$ 11,400.00
Salt - Salt	\$ -	\$ -	\$ -	\$ -	\$ 7,868.13	\$ 7,868.13
2017 Total	\$ -	\$ -	\$ -	\$ -	\$ 1,200,229.67	\$ 1,200,229.67
2018						
ACDA - ACDA	\$ 106,745.36	\$ -	\$ -	\$ -	\$ -	\$ 106,745.36
CapCityFund - NYS Capital City funds	\$ -	\$ -	\$ 3,000,000.00	\$ -	\$ -	\$ 3,000,000.00
DEMO - Demolition Billing	\$ 202,234.00	\$ 229,550.00	\$ 147,550.00	\$ 85,210.00	\$ 467,852.12	\$ 1,132,396.12
DGS3 - DGS Billing	\$ -	\$ 20,107.72	\$ 16,895.55	\$ 13,818.13	\$ 170,199.02	\$ 221,020.42
Fuel - Fuel	\$ 5,887.25	\$ 3,545.28	\$ 580.78	\$ -	\$ -	\$ 10,013.31
Hospital - Hospitalization Charges	\$ 20,319.99	\$ 4,277.47	\$ 2,946.41	\$ 2,805.89	\$ 14,342.87	\$ 44,692.63
PILOT - PILOT Billing	\$ -	\$ -	\$ -	\$ -	\$ 467,873.68	\$ 467,873.68
PILOTBID - BIDTAXPILOTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PILOT-SCH - PILOT - Due to School	\$ 4,242,855.37	\$ -	\$ -	\$ -	\$ -	\$ 4,242,855.37
Police Details - Reimbursable Police Detailing	\$ 45,892.50	\$ 6,201.29	\$ 15,646.25	\$ -	\$ 9,136.49	\$ 76,876.53
Radio System - Radio System Access	\$ -	\$ -	\$ -	\$ -	\$ 27,692.31	\$ 27,692.31
RENT - Monthly Rental	\$ 5,523.33	\$ 542.84	\$ 1,160.54	\$ -	\$ -	\$ 7,226.71
WCF220 - Waste Collection Fee	\$ -	\$ 312.00	\$ 624.00	\$ -	\$ 356,380.00	\$ 357,316.00
WCF230 - Waste Collection Fee	\$ -	\$ -	\$ -	\$ -	\$ 152,846.00	\$ 152,846.00
WCF411 - Waste Collection Fee	\$ -	\$ 468.00	\$ -	\$ -	\$ 76,376.00	\$ 76,844.00
2018 Total	\$ 4,629,457.80	\$ 265,004.60	\$ 3,185,403.53	\$ 101,834.02	\$ 1,742,698.49	\$ 9,924,398.44
Grand Total	\$ 4,629,457.80	\$ 265,004.60	\$ 3,185,403.53	\$ 101,834.02	\$ 3,071,746.09	\$ 11,253,446.04

Appendix II

Treasurer's Office Response



**CITY OF ALBANY
TREASURER'S OFFICE
24 EAGLE STREET, RM. 110
ALBANY, NEW YORK 12207
TELEPHONE (518) 434-5036**

MEMORANDUM

TO: Susan Rizzo, Chief City Auditor
FROM: Debra Perks, Assistant Treasurer
DATE: February 28, 2019
RE: Accounts Receivable Audit

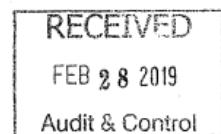
The City of Albany's Treasurer's Office has received and reviewed the 2019 Accounts receivable Audit by the Office of Audit and Control. The Treasurer's Office appreciates the efforts of the Chief City Auditor and her staff for their efforts in identifying some older accounts receivable remaining on our books, as well as identifying some areas in the A/R process that need to be addressed.

While the Treasurer's Office does not agree with some of the specific information relied upon as facts, nor with some of the conclusions reached in the Audit based upon that information, the differences are not material to the corrective actions. We have every confidence that the appended corrective actions laid out by the Treasurer's office, many of which have already been implemented, will establish strong policies and procedures, ensuring that a better process for accounts receivable will be utilized going forward.

Sincerely,

A handwritten signature of Debra Perks.

Debra Perks



Corrective Actions to address audit findings.

1. "Some demolition receivables were not adjusted in the New World System when these reimbursement charges were transferred to the property owner's tax bill."
 - a. Corrective action: The accounts receivable general ledger for demolition receivables will be reconciled to the open demolition invoice total. Demolition invoices that are levied to the tax bill will be written off in the New World System.
2. "An A/R journal entry was not created for several revenue sources. The examples we discovered were the Symetra Tour's Fuccillo Kia Classic and Street Openings."
 - a. Corrective action: All items that are billed will be invoiced on the New World System billing module. This will create a receivable for the amount that is owed to the City.
3. "In some cases, payments were collected by the Treasurer's Office, but the entry in the New World System did not include the necessary information needed to match it to the corresponding A/R item."
 - a. Corrective action: Payments will be applied to the invoice that is being paid. When the payment does not include the invoice number, then the payment will be applied to the oldest receivable on the account.
4. "The Treasurer's Office does not have an adopted procedure for departments or Treasurer to follow up on uncollected past due receivables and also determine the appropriate reserve rates for its allowance for uncollectible accounts calculation."
 - a. Corrective action: Policy and procedures will be written and distributed to departments. Allowances for uncollectible accounts for receivables will be calculated and recorded on the general ledger at year end.
5. "The Treasurer's Office has not completely reconciled the A/R Aging Report in order to determine what items from the 2016 and 2017 fiscal years need to be written-off."
 - a. Corrective action: The accounts receivable general ledger for all receivables will be reconciled to the open invoice total. Invoices that are levied to the tax bill will be written off in the New World System.
6. "The Department of Human Resources along with the Treasurer's Office does not have an effective procedure in place to determine whether continued insurance coverage for former employees should be canceled due to non-payment of past-due contributions. Additionally, sufficient steps have not always been taken to ensure these past-due contributions are collected."
 - a. Corrective Action: Customer statements that list unpaid invoices will be mailed regularly with the invoices.
 - b. Corrective Action: Customers with past due balances will be contacted.
 - c. Corrective Action: Human Resources and Treasury will meet regularly to discuss cancellation of coverage for people with past due balances.
 - d. Improvement: Invoices will be available for online payment through the City Website.
7. "While all newly generated Department of Human Resources A/R are created in New World, some historical A/R remains solely on the AS400 and have not been collected."
 - a. Corrective Action: all A/R accounts will be reconciled to open invoices.

Corrective Actions to address audit findings.

8. "The City has a receivable entered into the New World for a radio system project for both the 2017 and 2018 budget years. It was found that this project has been discontinued at the beginning of 2018."
 - a. Corrective action: Receivables that are not collectible will be written off.
9. "The A/R Aging Report as of September 30, 2018 did not match the Balance Sheet as of September 30, 2018."
 - a. Corrective action: The accounts receivable general ledger for all receivables will be reconciled to the open invoice total. Invoices that are levied to the tax bill will be written off in the New World System.

Budget Office's Response



**CITY OF ALBANY
DEPARTMENT OF ADMINISTRATIVE SERVICES
BUDGET OFFICE
24 EAGLE STREET
ALBANY, NEW YORK 12207
TELEPHONE (518) 434-5078**

MEMORANDUM

TO: Susan Rizzo, Chief City Auditor
FROM: Michael Wheeler, Budget Director
DATE: February 28th, 2019
RE: Accounts Receivable Audit

The City of Albany's Budget Office has received and reviewed the 2019 Accounts Receivable Audit by the Office of Audit and Control. We appreciate the efforts of the Chief City Auditor and her staff for their efforts in identifying some accounting oversights that mistakenly left some older A/R on our books, as well as identifying a few areas in the A/R process that need to be addressed. We have every confidence that the corrective actions laid out by the Treasurer's office, in response to this audit, will establish strong policies and procedures ensuring that these types of oversights will be identified and corrected in a timely manner moving forward.

In direct response to recommendation #5, the budget department would like to point out that the revenue lines for false alarm fees were removed from the 2019 proposed budget (released October 1st, 2018), prior to the start of this audit. It is also important to note, the voluntary PILOT's revenue line was reduced from \$1,900,000 in 2018 to \$500,000 in the 2019 proposed budget, prior to the onset of this audit as well. Neither of these decisions was based on any input or recommendations from the auditor's office.

Sincerely,

A handwritten signature in black ink, appearing to read "M. W. Wheeler".

Michael W. Wheeler

Auditor's Response

The Office of Audit and Control will follow-up to verify if recommendations are addressed. This Audit will remain open pending the completion of the tasks in the response from the Assistant Treasurer. The OAC would also like to review the Tax Receivable, but the Treasurer is denying its requests.