

The Mayor & City Council Approval
of the City Auditor's Final Report

**City Council of the City of Galveston
Regular Meeting Agenda
Thursday September 26, 2013**

14. Action Items

C. Discuss and consider for action accepting the City Auditor's Final Report on the "License to Use Agreement Fee Collections Audit" of December 2012.

CM Beeton moved to approve

CM Legg second the motion

The Mayor & City Council **Unanimously Approved**

Approved Glenn Bulgherini - City Auditor

**Office of the City Auditor
Glenn Bulgherini, CPA
City Auditor**





**A Report to the Galveston
City Council**

Mayor
Lewis Rosen

Council Members

Cornelia Banks
Rusty Legg
Elizabeth Beeton
Norman Pappous
Terrilyn Tarlton
Marie Robb

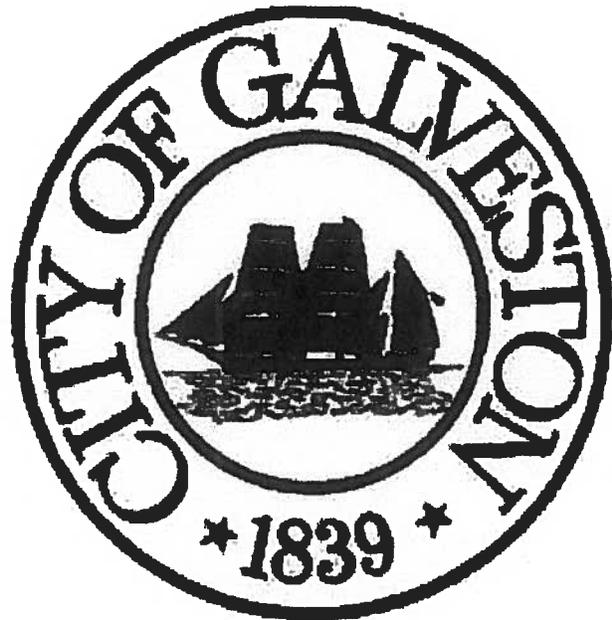
Office of the City Auditor

City Auditor
Glenn Bulgherini
CPA

Auditor
Carrie Sumrall

Audit Report

**License to Use
Agreement Fee
Collections**
December 2012



Report Summary

The Office of the City Auditor determined deficiencies in the method to process and collect fees for License to Use Agreements. We recommend that the Planning Department utilize the Accounts Receivable module in the Finance Department to collect these fees. The Total delinquent accounts for License to Use Agreements equal to \$59,277 and originate from the year 2006.



**LICENSE TO USE AGREEMENT
FEE COLLECTIONS AUDIT**

TABLE OF CONTENTS

EXECUTIVE SUMMARY..... 1

SCOPE..... 1

FIELDWORK..... 1

SUMMARY OF RESULTS..... 1

AUDITORS RECOMMENDATIONS..... 2

FINANCE DIRECTORS RESPONSE..... 2

PLANNING DEPARTMENTS MANAGEMENT RESPONSE..... 3

CITY MANAGERS RESPONSE..... 3

AUDIT TEAM

Glenn Bulgherini, CPA, City Auditor
Carrie Sumrall, Auditor

Office of the City Auditor
Galveston City Hall
Phone: 409-797-3692
Email: bulgheriniglen@cityofgalveston.org

**City of Galveston
License to Use Agreement Fee Collections
City Auditor Executive Summary**

The purpose of this report is to alert the Mayor and City Council of Galveston of deficiencies in the method to process and collect account receivable fees for License to Use Agreements issued by the City of Galveston. A License to Use fee is a fee charged for the right to use a space or area owned by the City of Galveston. This report was written after the Planning Department came forward and notified the City Auditor of possible deficiencies in processing and collecting License to Use fees.

Scope

The scope of my procedures included interviews and inspections of file documents. Interviews were conducted with:

- Finance Department City of Galveston
- Planning Department City of Galveston

File documents were obtained from:

- Planning Department City of Galveston

My fieldwork was conducted from November 28, 2011 through December 4, 2012.

Fieldwork Performed

1. I interviewed the Interim Finance Director to determine the location of the accounts receivable for License to Use fees on the City's General Ledger. I also inquired about the system in place to collect License to Use fees.
2. I interviewed the Interim Planning Department Director and a Planning Staff Assistant from the Planning Department. I obtained a spreadsheet documenting the dates the licenses to use were issued, received payment dates, letters sent to licensees, agreed upon license fees, names and addresses of licensees, license permit numbers, years of delinquency for accounts in arrears, and total amounts due. I also obtained and inspected copies of the License to Use Agreements.

Summary of Results

1. The accounts receivable for the License to Use fees are not recorded through the City's General Ledger. Therefore, the information to collect the delinquent accounts receivable for the license to use fees does not exist in the Finance Department. It is been past policy of the

**City of Galveston
License to Use Agreement Fee Collections
City Auditor Executive Summary**

Finance Department not to record accounts receivable for the License to Use Agreements in the City's General Ledger.

2. Upon analysis of the spreadsheet I obtained from the Planning Department I determined that there is \$ 45,745 in delinquent accounts owed to the City of Galveston for License to Use Agreements. These accounts were delinquent from two (2) to seven (7) years. I was also able to determine that the City of Galveston does not have on file copies of additional License to Use Agreements. These accounts are delinquent in the amount of \$ 13,532 and the majority appears to originate from the year 2006. The total delinquent accounts for License to Use Agreements equals \$ 59,277.

City Auditor Recommendations

The City Auditor recommends to the Mayor and City Council of Galveston that the License to Use Agreement fees be posted as an accounts receivable on the City's General Ledger through the Finance Department. The Finance Department should obtain the necessary information from the Planning Department to properly record and collect fees in connection with the License to Use Agreements. Delinquent accounts should be forwarded to the Legal Department.

Finance Department's Management Response

The Finance Department had previously instructed all departments and divisions to utilize the City's Financial AR system in the Finance Department. An email from the Finance Director was previously sent out that explained the entire process.

Departments were urged to start sending the Finance Department a debit memo that contained the information to bill and then this would be input into the Accounts Receivable module. Each department was told that they were responsible for the collection of those receivables they have initiated. The accounting area would provide support to manage their receivables.

The licenses to use permits were never forwarded to Finance to post into the accounts receivable module. It is very imperative that those balances be posted in the A/R module so a more concerted effort can be made to collect the fees.

It is also important to get council to advise us on when or if fees could ever be waived since it appears that previous history reflects that some UTMB fees have been waived.

**City of Galveston
License to Use Agreement Fee Collections
City Auditor Executive Summary**

Planning Department's Management Response

The collection of LTU fees has been primarily the responsibility of the Planning Staff Assistant who is not a trained accountant. Generally, LTU agreement holders are compliant and send annual renewal fees as requested. However, a small number of LTU agreement holders are significantly delinquent in the fees assigned by City Code and the Planning Commission. The Planning Department does not have the means to pursue these delinquent accounts and requests assistance through either the Finance or Legal departments to remedy. If delinquent accounts are not made current, the Planning Department can begin revocation procedures through the Planning Commission and the items will need to be removed from the City right-of-way.

City Manager's Response

The Finance Department has met with the Planning Department to address the issue of the License to Use Agreement Fees and have developed a system to track the fees in the City's accounts receivable module. Planning will be providing a list of outstanding LTU (license to use) fees to enter into the accounts receivable module. Statements are sent monthly to all customers in the accounts receivable module to remind them of their outstanding balance. These fees reoccur on an annual basis. They will be set up in the accounts receivable module to automatically generate an invoice when they become due. The invoices will be sent to planning for review before sending them out. When new LTU applications are filed with the Planning Department, the information will be forwarded on a debit memo to the Finance Department to generate an invoice and put into the AR system for future billings. When payments are received in Planning for the LTU fees they will be forwarded to the AR clerk who will properly code them and send them to the cashiers for proper application against the correct invoice. In addition, the Finance Director is working on a RFP for collection services that will assist with collection of LTU fees, in addition to other revenues streams.