

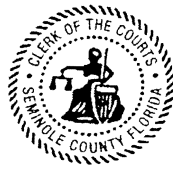
**SEMINOLE COUNTY
ENVIRONMENTAL SERVICES DEPARTMENT**

**REVIEW OF BILLING AND COLLECTION
PROCESS**

REPORT NO. 101210

OCTOBER 2010

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

October 12, 2010

The Honorable Bob Dallari,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Mr. Chairman:

I am very pleased to present you with the attached review of the billing and collection process for the Environmental Services Department.

Management's responses have been incorporated into the final report. It is our opinion that management has a corrective action plan that will satisfy the audit recommendations.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this audit. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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**Seminole County
Department of Environmental Services
Water and Sewer Billing Division**

Billing and Collection Process

The Office of the Clerk of the Circuit Court has completed a review of the Business Office which is responsible for billing customers, and for the related accounting procedures of the department.

PURPOSE

The purpose of this review was to determine if the system of internal controls is adequate, effective, and in compliance with county policies and procedures and applicable laws. Also, to determine if the division has adequately addressed the previous internal audit recommendations.

BACKGROUND

The Environmental Services Department has various business components that include:

- Business Office;
- Planning, Engineering, and Inspections;
- Solid Waste Management;
- Waste Water;
- Water; and,
- Water Conservation.

The focus of this review was primarily the Business Office. The office has responsibility for billing and collection of revenues. During FY08/09, the business office billed over \$39,464,000 and collected over \$39,808,000 with balances outstanding of \$5,267,072.

Since 1997, the Clerk of the Circuit Court has published four audits. The division has been very pro-active in addressing each of the audit recommendations. This audit was to re-evaluate the division's policy to ensure continued compliance with county policy and internal control.

The department provides water and sewer services to over 40,000 residential and commercial customers located throughout the county.

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These services are provided through county-owned and operated water and sewer facilities and wholesale agreements with other utilities. The business office does the billing, collection, and accounting for the Water and Sewer Fund.

In addition, it has the accounting responsibilities for billing of the commercial haulers and governmental units for its solid waste disposal.

The review that follows addresses the policies and procedures of the Business Office.

SCOPE OF WORK

The system of internal control over the billing system and the associated accounting records, policies and procedures was subject to review.

Specifically, we reviewed:

- The applicable policies, procedures, laws, and county ordinances;
- The system for reconciling the department's billing system with the county finance general ledger.
- Residential and non-residential customer deposits and refunds;
- Testing for compliance with internal procedures and to the rates, fees, and charges as approved by the BCC rate schedule;
- Reconciliation's for accounts receivable, customer deposits and the escrow account; and,
- Interviews with county personnel.

OVERALL EVALUATION

In our opinion, the division is correctly assessing the rates, fees, and charges approved by the BCC on November 10, 2009 (Resolution No. 2009-R-235). We also noted that audit issues identified in previous internal audits performed by the Office of the Clerk of the Circuit Court have been corrected to our satisfaction. Also, the division has taken the initiative to formally define their policies and procedures in writing as a management training tool.

There is one condition that, although not of material nature, warrants management's attention.

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We noted:

- *Municipality contracts do not define billing, payment, and collection requirements.*

Business practices could be improved by identifying specific requirements in the contracts to improve operational efficiency. This issue is discussed in more detail in the report that follows.

FINDING NO. 1

Municipality contracts do not define billing, payment, and collection requirements.

As part of a county-wide program for solid waste management, the county has inter-local agreements with several municipalities. For a fee, cities are allowed to dispose their waste through the Seminole County Solid Waste Landfill and Transfer Station.

Although there is a fee schedule, the contracts are silent on the when the county invoices, payment due dates, and issues such as an interest charge for late payment.

Some cities were consistently making late payments to the county as there is no firm rule when payment is due, such as a established time (e.g. 30 days from invoice). Thus, there is not a violation of the contract.

For illustration, we noted that as of June 30, 2010 there was a total past due balance of around \$130,000 for four local governments. These cities were not assessed any interest for the late payment. No late payment violation because the inter-local agreements simply do not address late payments and/or payment due dates. If this same balance was owed by commercial carriers the county would have assessed additional fees of about \$1,950 per month.

To ensure a fair and equitable billing and collection process, the inter-local agreement should define the billing and collection process so that both Seminole County and the municipalities are treated consistently and receive equitable treatment.

Recommendation

We recommend that the county consider adding billing and payment terms to future contacts with municipalities.

Management Response

Finding No. 1 pertains to Interlocal Agreements (Agreements), between the County and several cities (separate agreements), for solid waste management. The Report expresses a concern over the fact that the Agreements are silent on “when the County invoices, payment due dates, and issues such as an interest charge for late payment.” All scalehouse transactions are governed by County Administrative Code (AC), subsection 20.40 – Solid Waste Landfill and Transfer Station (attached). For those cities and private companies that establish charge accounts, AC section 20.40.F. provides the business practices called into question. Specifically, it provides that SWMD will bill monthly (although not called out, this occurs the first week of every month), and that payment is due within 25 calendar days of invoicing. Late fees of 1.5% per month may be assessed for payments not received within the 25-day period. These rules are applicable to any customer, including cities, regardless of whether an Interlocal Agreement is in place.

Based on the preceding, SWMD will evaluate the need for inclusion of the subject business practices in future and renewals of existing Interlocal Agreements. The SWMD has an obligation to manage charge accounts in a manner consistent with the AC and will exercise more diligence in reviewing and responding to past due balances. This will include the review and modification, where necessary, of internal procedures. Finally, the SWMD will contact the appropriate cities to ensure that each is aware of the County’s Administrative Code relative to charge accounts and request that each review their internal procedures to help ensure timely payment.