

## Accounts Receivable

Audit Report 201314-17

October 22, 2014

### Executive Summary

---

The Department's Revenue Section is a function within the Bureau of Accounting, which is part of the Department's Division of Administrative Services. The Revenue Section is responsible for daily transactions including receiving, distributing, reporting, and reconciling all revenue collected by the Department.

The Department's Accounts Receivable Section primarily records incoming money processed through the Department's mailroom; data sales fees from various records such as Public Access, Motor Vehicle Records, and Driver License Records; and Commercial Vehicle Enforcement payments for commercial vehicle citations. Approximately \$2.7 billion in revenue was accounted for during the 2012-13 Fiscal Year.

The purpose of this audit was to review and evaluate the Accounts Receivable process for efficiency and effectiveness, and compliance with applicable state laws and Department policy and procedure during January, February, and March 2014.

Our audit identified the following issues which require management attention:

- The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to the safe in the Accounts Receivable office;
- The Bureau of Accounting does not wait adequate time before issuing a refund;
- The Accounts Receivable Section is not always charging a service fee to motor carrier companies who pay citations with worthless checks as required by Section 215.34(2), Florida Statutes (F.S.);
- The Bureau of Accounting does not have an adequate process in place to notify program areas when member reimbursement checks should no longer be accepted from members who have violated Department Policy 5.13; and
- The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to electronic accounting systems.

## Background and Introduction

---

The Department's Revenue Section is a function within the Bureau of Accounting, which is part of the Department's Division of Administrative Services. The Revenue Section is responsible for daily transactions including receiving, distributing, reporting, and reconciling all revenue collected by the Department. Approximately \$2.7 billion in revenue was accounted for during the 2012-13 Fiscal Year.

The Revenue Section has three primary sections: Reporting and Distribution, Audit and Refunds, and Accounts Receivable. The Reporting and Distribution Section distributes and reports all fees collected for registering and titling vehicles and vessels and issuing driver licenses. The Audit and Refunds Section is responsible for collecting insufficient fund checks, primary debt collection activities, and ensuring that license plate, driver license, and tax collector refunds are approved and granted according to Section 832.06, F.S. The Accounts Receivable Section records incoming revenue and tracks it from receipt to program area disposition.

The Accounts Receivable Section primarily records checks, cash, and money orders received and processed through the Department's mailroom; data sales fees from various records such as Public Access, Motor Vehicle Records, and Driver License Records; and Commercial Vehicle Enforcement payments for commercial vehicle citations. The primary system used to record these payments is the Cashier Receipts System (CRS), a web-based Department developed system, of which Accounts Receivable staff are responsible for granting and maintaining system access. The Accounts Receivable Section is also responsible for granting access to two web-based Bank of America systems primarily used by the county tax collectors; the Electronic Payment System (EPS), and the Customer Service Request System (CSR).

The Accounts Receivable Section manually records payments received through the mail. The Department's mailroom is managed by a contracted vendor, Novitex. Upon delivery to the Department, most incoming mail is opened by Novitex employees, sorted by category, and prepared for delivery to the program area (such as driver license issuance, motor vehicle renewal, etc.) for which it was intended.

Mail which includes payment by check or money order is logged and processed through MAVRO, the electronic system Novitex employees use to scan and track checks and supporting documents received by mail. After all incoming mail for a given day has been scanned and sorted, MAVRO electronically transmits scanned check images to the Department's financial institution, Bank of America. Any payments received directly in the Accounts Receivable office or that the scanner was unable to process are manually entered into CRS by Accounts Receivable staff.

The Department is notified of worthless checks through a reimbursement request from a county tax collector or through a debit memo from the Florida Department of Financial Services. A record of the worthless check is recorded in the Department's Insufficient Funds System and a cancellation is placed on the customer's record. From debit memos received during January, February, and March 2014, the Department recorded 320 worthless checks totaling approximately \$57,000, including service fees.

## Findings and Recommendations

---

Overall, the Bureau of Accounting has implemented adequate processes to record incoming revenue and track it from receipt to program area disposition. However, we identified the following issues which require management attention:

### Safe Access

Section 219.02(2), F.S., states that it is the duty of the workers to keep safe all the public money collected and they shall exercise all possible care for the protection of the money.

The Accounts Receivable Section has a safe located in their office which is used to secure any checks or cash which were not included in the nightly deposit. All staff members who have checks on their desk at the end of the day place their checks in the safe and a member of the Accounts Receivable staff verifies all checks are secured and the safe is locked each evening before the office is closed for the day.

During our review of standard operations in the Accounts Receivable office, we noted there is not a process or written guidelines for using the safe, and the safe combination is not regularly updated.

After audit inquiry, the Accounts Receivable Section instituted a log documenting when checks and cash were put in the safe at the close of each business day; however, controls to ensure only approved personnel have access, who retrieved the checks and cash the next day, and reconciling the amounts to ensure checks or cash are not missing were not in place at the time of the audit. Because the safe combination is not changed regularly after someone with access leaves the Accounts Receivable Section or the Department, the Accounts Receivable Section cannot ensure that only approved personnel have access to the safe.

### Finding 1

The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to the Accounts Receivable safe.

## Recommendation

We recommend the Accounts Receivable Section establish controls to ensure only approved personnel have access to the safe.

## Management Response

A process was put in place in May 2014, to record when the safe was closed each evening. This process has recently been improved to include the procedure for opening and closing the safe each day and verification of funds and confidential documents in the safe by two employees. Due to the age of the two safes in the office, the lock combination can only be changed by a locksmith at approximately \$80 per visit. We will analyze these costs against the acquisition cost of a new safe for which the combination could be changed by the supervisor and manager when staff turnover occurs. Department management is also reviewing room access requirements or limiting access to certain rooms; including the Accounts Receivable Section.

## *Issuing Refunds Prior to Checks Clearing*

While the Bureau of Accounting is in the process of updating refund procedures, currently there is not a designated timeframe to ensure checks clear the bank prior to rendering services or issuing refunds.

During our review of the Department's process for accounting for worthless checks, we noted two instances where a refund was issued to a customer and the Department was later notified by the Department of Financial Services that the customer's check was worthless. In both of these instances, the Department had not provided a service prior to issuing the refund. Because a service was not provided, the Department is not able to place a cancellation on the customer's record. The Department gave these customers refunds for money that was never actually realized.

## Finding 2

The Bureau of Accounting does not wait adequate time before issuing a refund.

## Recommendation

We recommend the Bureau of Accounting implement a process for issuing refunds that allows adequate time for checks to clear the bank.

## Management Response

While bank notice of insufficient funds to the Department can be as timely as 3 days or as long as 6 weeks past the deposit date, the Revenue Section is evaluating the feasibility of holding refund issuance until 10 business days have passed from the deposit date. This evaluation will include impacts to customer service, program area operations, and subsequent or other associated business processes. The best solution that mitigates the Department's risk and maintains good customer service will be implemented.

### *Motor Carrier Service Fee for Worthless Checks*

Section 215.34(2), F.S., requires that whenever a check, draft, or other order for the payment of money is returned by the Chief Financial Officer to a state officer, a state agency, or the judicial branch for collection, the officer, agency, or judicial branch shall add to the amount due a service fee of \$15 or five percent of the face amount of the check, draft, or order, whichever is greater.

During our review of the Department's process for accounting for worthless checks, we noted two instances where motor carrier companies paid for citations with worthless checks and were not charged the required service fee. Accounts Receivable staff stated that because of program limitations, they are not adding the required service fee to the total owed in the online payment system (Intuition). Currently, Intuition cannot differentiate the service fee from the citation amount in the total amount due. Accounts Receivable staff can, however, collect the service fee from motor carrier companies repaying citations previously paid with a worthless check if the carrier mails or calls in the payment. Because of the limitation with payments received online, the Department is not recuperating costs associated with processing worthless checks.

## Finding 3

The Accounts Receivable Section is not increasing the amount due from motor carrier companies who pay citations with worthless checks as required by Section 215.34(2), F.S.

## Recommendation

We recommend the Accounts Receivable Section implement a process to increase the amount due from motor carrier companies to include the required service fee for returned checks.

## Management Response

The current system limits our ability to modify the program and these limitations have been discussed with the Florida Highway Patrol Commercial Vehicle Enforcement Major. However, this system is currently under modernization that will enable timely changes and resolution of this recommendation by adding a field for the returned check service fee. This project scheduled to be completed by December 2014.

### *Member Dishonored Checks*

Members routinely issue checks to the Department as payment or reimbursement for various transactions; including off duty mileage, payroll overpayments, and recovery of leave without pay.

DHSMV Management Policy 5.13, *Recovery of Non-Salary Sums from Members*, requires that if a member issues the Department three dishonored checks, the member will be required to tender a money order, certified or cashier's check or authorize payroll deduction for all future payments or reimbursements to the Department or may lose the privilege to participate in the transaction.

During our review of worthless checks, we noted one instance of an FHP trooper writing three dishonored checks in consecutive months for reimbursement of off duty mileage. While our review was ongoing, the trooper wrote a fourth personal check to pay off one of the previous worthless checks. According to Policy 5.13, the fourth check should not have been accepted.

Without controls in place to prevent members from continually writing personal checks when they are required to pay with another form of money, the Bureau of Accounting is unable to follow Policy 5.13. Additionally, the Department may be incurring unnecessary service fees for dishonored checks written by Department members.

## Finding 4

The Bureau of Accounting does not have an adequate process to notify program areas when reimbursement checks should no longer be accepted from members who have violated Department Policy 5.13.

## Recommendation

We recommend the Bureau of Accounting establish a process to notify program areas when member reimbursement checks are dishonored and personal checks are no longer to be accepted as reimbursements.

## Management Response

The Refund and Audit Section has created a shared spreadsheet with the Accounts Receivable Section that includes a list of member names who have submitted three dishonored checks. The Accountant III in the Accounts Receivable Section will review the list prior to depositing member checks to determine if the Department no longer accepts checks from this member. Currently, when a member check is dishonored, the supervisor is notified giving the member time to submit reimbursement by cashier's check, money order, or payroll deduction. A new notification letter will be drafted to send to an employee who has submitted three dishonored checks, advising them that the Department will no longer accept their personal checks. The member's supervisor and the Chief of Personnel will also be copied on the letter.

## *Inappropriate Access to Systems*

Rule 71A-1.007(3), Florida Administrative Code, states that workers shall be authorized access to agency IT resources based on the principles of "least privilege," the minimum possible privileges to permit a legitimate action and "need to know," the principle that individuals are authorized to access only specific information needed to accomplish their individual job duties.

During our review of Department members with access to electronic accounting systems, we determined the Accounts Receivable Section did not maintain accurate documentation for approved CRS, EPS, or CSR users. We also determined:

- The Accounts Receivable staff maintained list of CRS users listed 9 active users, when a system report included 681 active users;
- 61 CRS users on the list were duplicates (one user had five different user id's);
- Two CSR users were duplicates; and
- 10 EPS users were duplicates.

Furthermore, AR staff has not revoked some former member's system access rights.

- The CRS user list included 170 former members;
- The CSR user list included six former members; and
- The EPS user list included three former members.

While access to these systems requires a member to complete an Authorization Request Form, Accounts Receivable staff does not maintain copies of the forms. Without retaining proper authorization documentation, the Department cannot ensure only approved personnel have access to electronic accounting systems.

A new process for requesting and granting access to these systems was being implemented during the course of our review. Members requesting access to these systems will be required to complete an iLearn course, and fill out a new authorization form signed by the member's supervisor and bureau chief. This new system will provide better records for Accounts Receivable staff to maintain access approval documentation.

## **Finding 5**

The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to electronic accounting systems.

## **Recommendations**

We recommend the Accounts Receivable Section ensure that relevant access control records are retained.

We also recommend the Accounts Receivable Section perform periodic reviews of accounting system access privileges to ensure that Department and tax collector access privileges are authorized and remain appropriate.

## **Management Response**

The Revenue Manager has worked with the Information System Administration to delete CRS users who have not accessed the system since January 1, 2014. A total of 516 users were deleted on October 1, 2014. Additionally, this delete program will be implemented to occur beginning January 2015 and monthly thereafter.

The Revenue Section has drafted its own User Access Control policy to address gateway controls. This draft will be finalized and reviewed with the Revenue Section administrators who grant access to accounting systems. User access is only granted or reset by two specific members; one gatekeeper (Accountant IV) and one backup (Accounts Receivable Supervisor). For the CSR and EPS systems, the Revenue Section administrators can see the last day of access and will revoke users after six months of inactivity. Access Requests will be maintained in the Revenue Section.

## Purpose, Scope, and Methodology

---

The purpose of this audit was to review and evaluate the Accounts Receivable process for efficiency and effectiveness, and compliance with applicable state laws and Department policy and procedure.

The scope of this audit included accounting activities during January, February, and March 2014.

The methodology included:

- Comparing funds received and scanned in the Novitex MAVRO system to total transactions processed for a two week period to determine if any discrepancies exist in the total number of transactions processed and the total dollar amount received;
- Testing a sample of manually processed checks, money orders, and cash to determine if payment receipt was entered in CRS, if payment amount was correctly recorded, if funds were correctly assigned to the proper program area, and if sufficient support documentation was retained to support the transaction;
- Reviewing a sample of daily bank reconciliations and comparing to supporting documentation to determine if Accounts Receivable was accurately reconciling daily receivables;
- Reviewing the Accounts Receivable process for handling cash transactions;
- Reviewing a sample of bad checks;
- Reviewing the purpose and process for using the Motor Vehicle Licensing Clearing Fund;
- Testing a sample of funds deposited in the Motor Vehicle Licensing Clearing Fund to determine if funds were deposited timely and properly;
- Reviewing controls in place to ensure only approved personnel have access to electronic accounting systems;
- Reviewing approval for access to electronic accounting systems;
- Reviewing controls in place to ensure only approved personnel have access to the safe;
- Reviewing applicable statutes, rules, manuals, and procedures; and
- Interviewing appropriate Department staff.



## Distribution, Statement of Accordance, and Project Team

### Distribution

Terry L. Rhodes, Executive Director  
Diana Vaughn, Deputy Executive Director  
Leslie Palmer, Chief of Staff  
Marilyn Tabanelli, Chief of Accounting  
James Lewandowski, Revenue Manager  
Melinda M. Miguel, Chief Inspector General  
David W. Martin, Auditor General

### Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

### Project Team

Engagement conducted by:  
Erin Mook, Auditor  
Virginia Gaskins, Auditor

Under the supervision of:  
David Ulewicz, Audit Director

Approved by:

  
Julie M. Leftheris, Inspector General

## ATTACHMENT - Management Response



**Terry L. Rhodes**  
Executive Director

2900 Apalachee Parkway  
Tallahassee, Florida 32399-0500  
www.flhsmv.gov

### MEMORANDUM

DATE: October 20, 2014  
TO: David Ulewicz, Audit Director  
FROM: Marilyn Tabanelli, Chief of Accounting  
SUBJECT: Management Response to the Accounts Receivable Audit (201314-17)

The following is our response to the findings and recommendations presented in the report.

#### **Finding 1- Safe Access**

The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to the Accounts Receivable safe.

#### **Recommendation**

We recommend the Accounts Receivable Section establish controls to ensure only approved personnel have access to the safe.

#### **Management Response**

A process had been put into place as of May 2014 to record that the safe was closed each evening. This process has recently been improved to include the procedure for opening and closing the safe each day and verification of funds/confidential documents in the safe by two employees. Due to the age of the two safes in the office, the lock combination can only be changed by a locksmith at approx. \$80 per visit. We will analyze these costs against the acquisition cost of a new safe for which the combo could be changed by the supervisor and manager when staff turnover occurs. The Department management is also reviewing room access requirements or limiting access to certain rooms, to include the Accounts Receivable Section.

---

• Service • Integrity • Courtesy • Professionalism • Innovation • Excellence •  
An Equal Opportunity Employer

**Finding 2- Issuing Refunds Prior to Checks Clearing**

The Bureau of Accounting does not wait adequate time before issuing a refund.

**Recommendation**

We recommend the Bureau of Accounting implement a process for issuing refunds that allows adequate time for checks to clear the bank.

**Management Response**

While bank notice of insufficient funds to the Department can be as timely as 3 days or as long as 6 weeks past the deposit date, Revenue is evaluating the feasibility of holding refund issuance until 10 business days have passed from the deposit date. This evaluation will include impacts to customer service, program area operations, and subsequent or other associated business processes. The best solution that mitigates the Department's risk and maintains good customer service will then be implemented.

**Finding 3- Motor Carrier Service Fee for Worthless Checks**

The Accounts Receivable Section is not increasing the amount due from motor carrier companies who pay citations with worthless checks as required by Section 215.34(2), F.S.

**Recommendation**

We recommend the Accounts Receivable Section implement a process to increase the amount due from motor carrier companies to include the required service fee for returned checks.

**Management Response**

The current system limits our ability to modify the program and these limitations have been discussed with the Florida Highway Patrol – Commercial Vehicle Enforcement Major. However, this system is currently under modernization that will enable timely changes and resolution of this recommendation by adding a field for the returned check service fee. This project is on the ISA Quarter IV Release scheduled to be completed by December 2014.

**Finding 4- Member Dishonored Checks**

The Bureau of Accounting does not have an adequate process to notify program areas when reimbursement checks should no longer be accepted from members who have violated Department Policy 5.13.

**Recommendation**

We recommend the Bureau of Accounting establish a process to notify program areas when member reimbursement checks are dishonored and personal checks are no longer to be accepted as reimbursements.

**Management Response**

The Refund and Audit Section within the Bureau of Accounting has created a shared spreadsheet with the Accounts Receivable Section that includes a list of member names who have submitted three dishonored checks. The Accountant III in the Accounts Receivable Section will review the list prior to depositing member checks to ensure the Department no longer accepts checks from this member. Currently, when a member check is dishonored, the supervisor is notified giving the member time to submit reimbursement by cashier's check, money order or payroll deduction. A new notification letter will be drafted to send to an employee who has submitted three dishonored checks to advise them that the Department will no longer accept their personal checks. Besides the supervisor, the Chief of Personnel will also be copied on both of these letters.

**Finding 5- *Inappropriate Access to Systems***

The Accounts Receivable Section does not have adequate controls in place to ensure only approved personnel have access to electronic accounting systems.

**Recommendations**

We recommend the Accounts Receivable Section ensure that relevant access control records are retained.

We also recommend the Accounts Receivable Section perform periodic reviews of accounting system access privileges to ensure that Department and tax collector access privileges are authorized and remain appropriate.

**Management Response**

The Revenue Manager has worked with ISA to delete Cashier Receipt System (CRS) users who have not accessed the system since January 1, 2014. In addition, this delete program will be implemented to occur beginning January 2015 and monthly thereafter. A total of 516 users were deleted on October 1, 2014.

The Revenue Section has drafted its own User Access Control policy to address gateway controls. This draft will be finalized and reviewed with the administrators. User access is only granted or reset by two specific members; one gatekeeper (Accountant IV) and one backup (Accounts Receivable Supervisor). For the Customer Service Request (CSR) and Electronic -Payment System (EPS), the -Revenue Section administrators can see the last day of access and will revoke users after 6 months of inactivity. Access Requests will be maintained in the Revenue Section.

Cc: Julie M. Leftheris, Inspector General