



AUDIT HIGHLIGHTS

Revenue Recovery

September 3, 2019

Audit Report No. 1911

WHY WE DID THIS AUDIT

This audit was included on the Council-approved FY 2018/19 Audit Plan to assess the effectiveness of Business Services' revenue recovery services.

BACKGROUND

Within the City Treasurer's Business Services department, the Revenue Recovery section is responsible for collecting delinquent receivables owed to the City. These receivables include utility accounts; business, liquor and special license fees; false alarm charges; and accounts referred by other City departments.

As of June 2019, Revenue Recovery was responsible for approximately 6,700 accounts totaling about \$3.5 million.

Additionally, Revenue Recovery, Tax Audit and the City Attorney's office have created the Revenue Enhancement Team to collect the larger delinquent accounts once Revenue Recovery has exhausted its efforts.

City Auditor's Office

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WHAT WE FOUND

Revenue Recovery is not effectively identifying or collecting delinquent accounts.

Collection efforts could be improved by using accounts receivable aging reports, developing complete and organized policies and procedures, and evaluating its collection tools. Specifically, we found:

- Past-due accounts were not contacted timely, documented collection efforts were inconsistent and account write-offs were not performed in accordance with City accounting policy.
- Policies and procedures were not available for many activities.
- Revenue Recovery does not evaluate or use all available collection tools.

Revenue recovery program management and oversight could be improved.

- Enhanced tracking of collection data could help improve effectiveness, reporting and management.
- Establishing and sharing a policy for site visit practices could enhance revenue collector and public protection.
- Differentiating between payments received after revenue collector contacts and those received after auto-generated phone calls or letters would help to measure effectiveness of methods used.
- Accurately tracking collectors' daily activities and participating in a professional collection organization may improve effectiveness and provide best practices, training and professional development.

WHAT WE RECOMMEND

We recommend the Business Services department require Revenue Recovery to:

- Develop and use aging reports to prioritize collection activities.
- Ensure that uncollectible account write-offs are performed in accordance with Accounting policies.
- Develop complete and organized policies and procedures.
- Improve tracking and analysis of collections-related activity and results.

MANAGEMENT RESPONSE

The department agreed with the recommendations, including using monthly accounts receivable aging reports to prioritize collections and developing a mechanism to track collection activity and its adherence to priorities and procedures.