

CITY OF ALLENTOWN

ACCOUNTS RECEIVABLE OVER \$10K – PUBLIC WORKS

Date of Report: September 23, 2021

Accounts Receivable (AR) is money owed to the City of Allentown but not yet paid for by its constituents and/or customers.

Through the Street's program the City of Allentown invoices property owners for curbing and sidewalk. Once the work is completed by the City Contractor and the inspector verifies the final footages, the property owner is invoiced. The property owner has 90 days to pay the bill.

AR is reported in EDEN and is created by the various departments for services rendered. Monthly, EDEN generates an invoice and mails it to the customer, who, in turn, must pay it within an established timeframe, called payment terms. Non-payment may result in automatic interest and penalties assessed to the customers' account.

As of 05/24/2021 the total AR balance in EDEN was \$3,042,660.72.

We identified 67 (sixty-seven) AR accounts over \$10,000.00 (\$10K) totaling \$1,621,314.27.

Of the 67 accounts identified, 32 (thirty-two) AR accounts totaling \$527,880.01 were for PUBLIC WORKS.

OBJECTIVE

The objective of the review was to review AR over \$10K and:

- Determining the validity of the AR balance by account,
- Determining the reasonability of collection of the AR, and
- Identifying any areas for improvement.

PROCEDURES

This audit was conducted in accordance with generally accepted governmental auditing standards and utilized an approach that included reviews of websites, telephone inquiries and reports.

Our process began by running an EDEN AR report and identifying all accounts with a balance over \$10K.

Using the list, the AR was categorized by type of service provided by the City and reviewed.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL WEAKNESSES

1. Curb and Sidewalk Properties Not Liened

Per the City of Allentown Curb and Sidewalk Policy,

“It shall be the duty of owners of property having frontage on a dedicated and opened public street or alley to construct sidewalks, curbs, handicap ramps and crossovers (driveways) where any of the following conditions apply: ♦ Construction of new residential or non-residential structure ♦ Additions to non-residential structures ♦ Resurfacing, repaving, or other street or alley reconstruction ♦ Where deemed necessary by the City Engineer for safety reasons or where drainage problems exist Further, it shall be the duty of the property owners, as noted above to construct concrete ADA Handicap Ramps, where the City Engineer deems feasible, when new installation of sidewalk and/or curb are made. They are also required when a replacement of curb and sidewalk is made so as to make the transition from street to sidewalk easily negotiable for handicap persons in wheelchairs and for other persons who may have difficulty in making the required step up or down from curb level to street level.”

When a property owner cannot afford to correct the problem, the City will provide the work and set up an AR for the customer.

Per Public Works, their practice is to lien the property after 6 months from the date the work is invoiced.

Per the City Code, Section 907.02 Failure to Comply,

“If the owners fail to construct and/or repair existing sidewalks, curbs, and/or handicap ramps within thirty (30) calendar days of the date of notice to do such maintenance from the City, the Department of Public Works, Bureau of Engineering, may perform the necessary work, and certify the same, to the City Solicitor, who shall forthwith proceed to collect the cost thereof as provided by law and to put a lien upon such premises from the time of the completion of the work, which date shall be determined by the City Engineer and certified to the City Solicitor. (13826 §1 4/24/00)”

Of the 32 (thirty-two) AR accounts over \$10K for Public Works,

- 31 (thirty-one) totaling **\$516,800.48** were for Curb and Sidewalk.
- 8 (eight) of the 31(thirty-one), **\$134,648.91**, were not liened.

Of the 8 (eight) that were not liened:

- 4 (four) totaling **\$89,324.90**, were making installment payments, per PUBLIC WORKS as part of customer service the properties were not liened. The original work was performed as far back as 02/2019 and as recently as 07/2020.
- 4 (four) totaling **\$45,324.01** were not liened until questioned by the Controller's Office in 06/2021. The original work was performed as far back as 08/2017 and as recently as 07/2020.

Recommendation

To protect the City from potential loss due to the sale or transfer of the property, death, etc., properties should be liened as outlined in the City Code, Section 907.02 Failure to Comply.

Administration's Response

Regarding the 8 that were not liened, 7 of the 8 have been liened, working on the last property seems to be an error with the ward and account will fix and will lien this month (Sept 2021).

2. Uncollectable AR

We identified 1 (one) AR for **\$11,079.53**. The AR was for 2 (two) invoices dated 06/2010 and 08/2015, totaling **\$6,559.75**. The balance of the AR, \$4,519.78 is for interest and penalties.

Both invoices appear to be for damages caused by the customer and appear to be RISK related.

Recommendation

Administration should consult with LAW and determine if the AR is collectable and if not, it should be written off.

A standard should be established for writing off aged AR.

Administration's Response

Moving forward we will be in contact with Law quarterly (approx. 90 days) to determine if the RISK billings in AR (Traffic signals/signs) can be collected or written off from the date invoiced.

3. Weakness in AR Review Process

Per PUBLIC WORKS AR is reviewed,

“every month...have a time slot scheduled for liens with the Law Dept,...go through the curbing and sidewalk invoices that are 6 months old”.

Based on the findings in #1 and #2, it is evident that the review is not consistent or timely.

Recommendation

PUBLIC WORKS should obtain AR Review training from FINANCE to insure items do not become stale and are collectable.

Administration’s Response

PUBLIC WORKS: For curbing and sidewalk billings after invoiced we will give 90 days from that date to lien rather than 6 months as previous practice.

For Risk we will use the same standard of 90 days if collectable or to be written off.

FINANCE: The Finance Department would be happy to work with the department to provide any training as requested.