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⁺⁺ Audit Committee Member

**On-Line Payment
Reconciliations Audit**

August 6, 2021



**City of Fort Worth
Department of Internal Audit**

200 Texas Street
Fort Worth, Texas 76102

Audit Staff

Patrice Randle, City Auditor

Brian Burkland, Assistant City Auditor

Akia Terry, Senior Auditor





The On-Line Payment Reconciliations Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2020 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to ensure:

- accountability for revenue received via on-line payments;
- accuracy and applicableness of associated fees; and,
- reconciliation of unmatched on-line payment transactions.

Audit Scope

Our audit included a review for the period October 1, 2018 through September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

Opportunity for Improvement

Reconciliation of all on-line payments

Written reconciliation procedures

Executive Summary

As part of the Fiscal Year 2020 Annual Audit Plan, the Department of Internal Audit conducted an audit of on-line payment reconciliations. Based on our audit results, accountability was generally established for revenue received via on-line payments. Additionally, Internal Audit's reconciliation of unmatched transactions (e.g., bank fees, non-sufficient fund charges, refunds, etc.) resulted in no exceptions. We also concluded that on-line payment convenience fees were competitive with the market rate, and were paid in accordance with the contracts.

The Code Compliance, Development Services, Fire, Municipal Court, Park and Recreation, and Transportation and Public Works Departments demonstrated accountability for on-line payments received. However, Fort Worth Public Library staff did not reconcile on-line payments. Based on feedback received from Library staff, there appeared to have been some confusion regarding what was required to reconcile on-line payments. Internal Audit was unable to determine how much the Library received in on-line payments, as Library staff indicated they did not preserve historical payment data during a December 2019 on-line hosting solution change.

As noted above, most departments that received on-line payments had reconciliation processes. However, three of the seven departments did not have written procedures to outline their payment reconciliation process. It should be noted that two of those three departments developed written payment reconciliation procedures prior to the release of this audit. Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

In addition to the findings included within this report, we concluded that a vendor underpaid the City for food safety exams administered on behalf of the City of Fort Worth. The contract required that the vendor remit (to the City) \$15.00 of the \$25.00 charged for each completed food protection manager exam. However, the vendor only remitted \$9.60 of the \$25.00, per exam. The Code Compliance Department promptly followed-up, and determined that the City had been underpaid for 282 exams completed from September 2019 through December 2020. The vendor has since remitted the total underpayment (\$1,522.80) to the City.

We also concluded that a Park and Recreation Department employee signed a contract for on-line ticketing and payment for Botanic Garden events; however, Mayor and City Council approval was not obtained. Once notified by Internal Audit, City Attorney's Office staff recommended that the referenced contract be terminated and a new one executed by the Botanical Research Institute of Texas (BRIT). The City contract was, therefore, terminated.

Table of Contents

Background..... 1

Objectives 3

Scope..... 3

Methodology..... 3

Audit Results..... 5

Overall Risk Evaluation..... 6

Detailed Audit Findings..... 7

Acknowledgements..... 10



Background

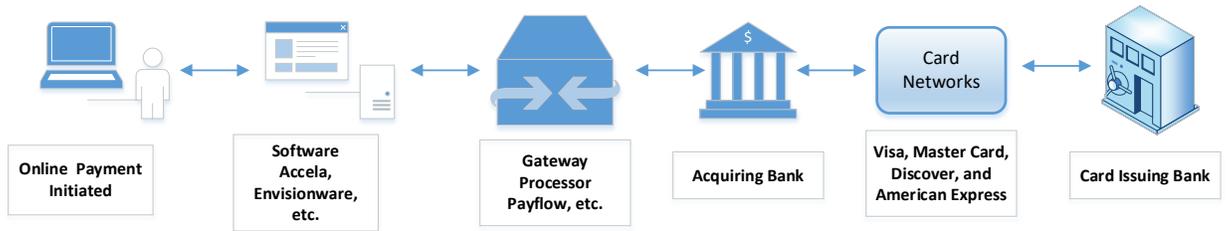
As a convenience to customers, several City departments accept on-line payments for services provided. The City of Fort Worth (CFW), therefore, contracts with payment processing vendors to process on-line payments on behalf of the City. Except for the City's Water Department, which also receives on-line payments, and recently changed vendors, the following table lists CFW departments that receive on-line payments. As shown within the table, on-line payment processing fees (e.g., convenience fees) are paid by either the customer or the City.

City of Fort Worth Departments that Receive On-Line Payments		
Department (Revenue Source)	Payer of Convenience Fees	Software
Code Compliance (food handler training)	Customer	State Food Safety
Code Compliance (donations)	CFW	PayPal
Development Services (permits)	CFW	Accela ⁽¹⁾
Fire (permits)	CFW	PayPal
Fire (permits)	CFW	Accela ⁽¹⁾
Library (lost item fees)	CFW	Envisionware
Library (room reservations)	CFW	ActiveNet ⁽²⁾
Municipal Court (fines)	Customer	nCourt
Municipal Court (warrants)	Customer	GovPay
Park and Recreation	CFW	ActiveNet ⁽²⁾
Park and Recreation - Botanic Garden (events)	Customer	Vendini
Transportation and Public Works (parking)	Customer	ParkMobile

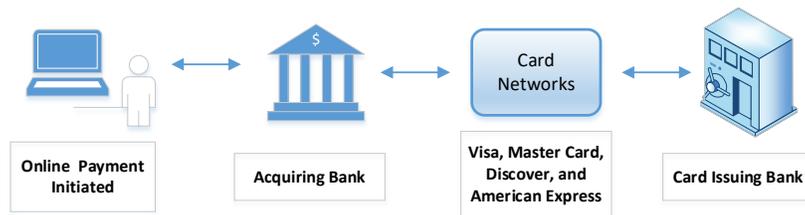
⁽¹⁾ The Development Services Department manages the Accela software. However, Accela is also used by the Fire Department.

⁽²⁾ The Park and Recreation Department manages the ActiveNet software. However, ActiveNet is also used by the Fort Worth Public Library.

Online Payment Process - Application Gateway



Online Payment Process – without Application Gateway



May include application that directs to acquiring bank or other payment service page

Source: Auditor-Generated



Objectives

The objectives of this audit were to ensure:

- accountability for revenue received via on-line payments;
- accuracy and applicableness of associated fees; and,
- reconciliation of unmatched on-line payment transactions.

Scope

Our audit scope included a review for the period October 1, 2018 through September 30, 2019. Activity beyond this period was reviewed as deemed necessary.

We did not review the Water Department's on-line payment processing, because Internal Audit previously reviewed the Water Department's reconciliation process, without exception.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- surveyed City departments to identify which departments received on-line payments;
- interviewed department personnel responsible for recording and reconciling on-line payments;
- verified that convenience fees paid to on-line payment vendors were in compliance with the contract;
- compared convenience fees to market rates, to determine reasonableness;
- reviewed departmental reconciliation processes to determine effectiveness; and,
- evaluated internal controls related to on-line payment reconciliations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Chapter XXVIII of the Fort Worth City Charter established the City of Fort Worth's Department of Internal Audit. Our department was established independent of management, reporting directly to the Fort Worth City Council. We utilized the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework when evaluating internal controls. The following internal control components and corresponding principles were considered significant to the audit objectives.



Internal Control Component	Principles
Control Environment	Managerial oversight, integrity, ethics and responsibility; staff recruitment, development, retention, performance and accountability
Risk Assessment	Clearly-defined objectives to identify risks, define risk tolerances, and implement necessary controls (e.g., written policies and procedures)
Control Activities	Control activities through policies and procedures
Information and Communication	Communicate the necessary quality information
Monitoring	Monitor and evaluate the effectiveness of internal controls



Audit Results

Internal Audit surveyed CFW departments to ensure that we had a complete population of departments that accepted on-line payments. Subsequently, based on our test results, no exceptions were noted with on-line payment reconciliations completed by the Code Compliance, Development Services, Fire, Municipal Court, Park and Recreation (Botanic Garden) and Transportation and Public Works Departments. However, Fort Worth Public Library staff did not complete on-line payment reconciliations.

Internal Audit reviewed each of the seven departments' written policies and procedures, and noted that three of those seven departments did not address on-line payment reconciliations within their written procedures. Those three departments were Fire, Library and Park and Recreation. However, the Fire and Park and Recreation Departments developed written procedures prior to the release of this audit.

Internal Audit also concluded that convenience fees, charged to our customers or paid by the City, were competitive with the market rate. Additionally, audit test results indicated that convenience fees paid by the City were paid as required by the contract.

We identified the following issues that were unrelated to on-line payment reconciliations, but were deemed necessary to communicate within this report.

- An on-line food safety training vendor underpaid the City. Exhibit A of Fort Worth City Secretary Contract No. 52197 specified that revenue generated from food safety training courses and exams be shared between the vendor and the City. The contract required that the City receive \$15.00 of the \$25.00 charged for each food protection manager exam. However, the City was only paid \$9.60 of the \$25.00, per exam. Prompt research and follow-up by the Code Compliance Department revealed that the City had been underpaid for 282 exams completed between September 2019 and December 2020. On January 15, 2021, State Food Safety accounted for the underpayments by remitting \$1,522.80 [282 exams x (\$15.00 - \$9.60)] to the City.
- Internal Audit also noted that a contract between a vendor (Vendini) and the CFW was executed by a Park and Recreation Department employee, with no evidence of contract review by the City Attorney's Office, nor Mayor and Council approval. Pursuant to Section 2-9 of the Fort Worth City Code, except as otherwise provided within the City Code, all contracts (including claim and lawsuit settlement agreements) to which the City is a party, shall be approved by the City Council prior to execution by the City Manager. Subsequent follow-up confirmed the contract with Vendini was terminated in March 2021.

Overall Risk Evaluation

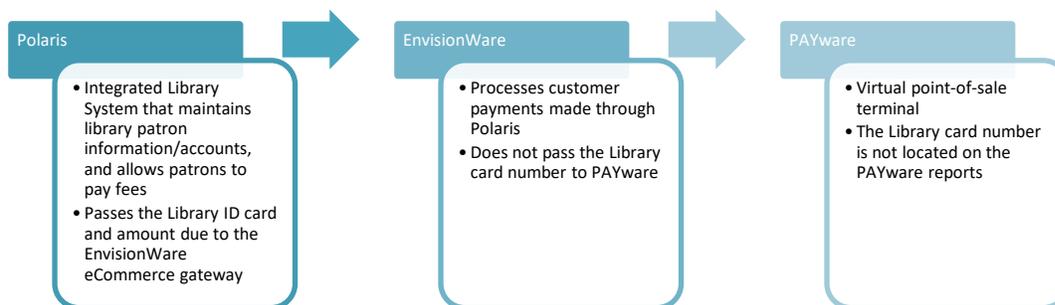
High	Medium	Low
<u>Non-reconciliation of on-line payments</u>		
<u>Lack of written policies and procedures</u>		

Detailed Audit Findings

1. On-line payments to the Fort Worth Public Library staff were not reconciled.

Based on our audit results, on-line payment reconciliations were not completed by Fort Worth Public Library staff.

Library staff indicated that different vendor platforms were utilized for the collection and application of on-line payments. As noted in the following illustration, Library staff stated that Polaris (library software) is utilized to access EnvisionWare (an on-line payment platform). Payment information is then recorded within VeriFone PAYware Connect (PAYware), which is utilized as a technology solution to process the on-line payments.



Library staff were not fully aware of EnvisionWare and/or PAYware reporting capabilities, and later indicated that they were also not aware of how on-line payments were reconciled to Library patron accounts, or how daily transaction reports from one vendor compared to those of the other vendor. Internal Audit concluded that on-line payments received from Library patrons are captured within PAYware, but are not linked to the individual patron accounts. Furthermore, since individual customer accounts are not updated via PAYware from Polaris, attempts to reconcile would require that Library staff to perform manual reconciliations between the two systems.

Based on our test results, manual reconciliations were not being performed, and we were unable to ensure that library patron accounts were updated with the correct payment information. As a result, if a Library patron's account is not properly updated to reflect an on-line payment, Library staff does not have processes to determine the correct balance. Internal Audit inquired about the total value of on-line transactions processed during the audit period. However, Library staff responded that historical data prior to January 2020 was not preserved during an on-line vendor system change that occurred in December 2019. Based on on-line payment transactions from January 2020 through December 2020 (which is after our audit period, but for illustrative purposes), CY2020 on-line payments to the Library, were not significant, totaling approximately \$20,700.00.

Section III. D.1. of the City's Revenue Management Finance Directive (FD22) states that proper administrative and control processes are established for review and reconciliation of revenue accounts. Section V. D. of that same directive states that departments must monitor their respective revenue accounts on a monthly basis. Additionally, the City's FY2021 Records Retention Schedule references a three-year retention for accounts receivable records such as cash receipts, credit card receipts, daily cash reports, etc.



Recommendation 1A: *The Library Director should require that on-line payments are reconciled on a routine basis, and as required by City policy.*

Auditee's Response: Concur.

Target Implementation Date: January 15, 2022

Responsibility: Tim Shidal

Applicable Department Head: Manya Shorr, Library Director

Applicable Assistant City Manager: Dana Burghdoff

Recommendation 1B: *The Library Director should ensure that document retention guidelines, within the City's Records Retention Schedule, are being followed.*

Auditee's Response: Concur.

Target Implementation Date: January 15, 2022

Responsibility: Tim Shidal

Applicable Department Head: Manya Shorr, Library Director

Applicable Assistant City Manager: Dana Burghdoff

2. Written on-line payment reconciliation procedures did not exist for some departments that receive on-line payments.

Based on Internal Audit test results, three of the seven departments that collected on-line payments did not have written policies and procedures to govern their departmental on-line payment reconciliations.

- Fire Department staff advised that although they did not have written on-line payment policies and procedures, one staff and another backup are responsible for completing departmental on-line payment reconciliations, and were familiar with the process.
- Fort Worth Library staff indicated that new procedures were to be developed by a newly hired employee.
- Park and Recreation Department staff advised that their on-line payment reconciliation procedures were being developed.



On-Line Payment Reconciliation Processes and Written Procedures, by Department			
Department	Reconciliation Process	Written Procedures	Total On-Line FY2019 Revenue
Development Services	Yes	Yes	\$7,817,928.27
Fire	Yes	No	\$2,334,549.25
Transportation and Public Works	Yes	Yes	\$772,866.65
Park and Recreation	Yes	No	\$475,813.93 ¹
Municipal Court	Yes	Yes	\$28,325.21
Code Compliance	Yes	Yes	\$9,411.00
Library	No	No	Not Determined ²

Source: City departments

¹ Limited to the Botanic Garden, due to the Departmental of Internal Audit's planned ActiveNet Audit

² Library staff indicated that historical data was not preserved when payment data was migrated (in December 2019) to an on-line hosted solution to meet PCI compliance standards.

Written procedures provide guidance that is consistent among current and newly hired staff. Government Finance Officers Association (GFOA) Best Practices indicate that every government should document its accounting policies and procedures. GFOA further states that the lack of an updated written procedural manual leads to inconsistent and inefficient operations, and could result in frustration within and outside the organization, as well as the loss of potential revenue.

Recommendation 2: *The City Manager's Office should require that Department Heads develop and comply with written policies and procedures for reconciling on-line payments.*

Auditee's Response: Concur.

Target Implementation Date: January 15, 2022 (Library)
 Completed (Fire)
 Completed. The Park and Recreation Department has prepared written procedures for reconciling the ACTIVE Net remittance.
 (Park and Recreation)

Responsibility: Tim Shidal, Library

Applicable Department Head: Manya Shorr, Library Director

Applicable Assistant City Manager: Dana Burghdoff



Acknowledgements

The Department of Internal Audit would like to thank all the City Departments for their cooperation and assistance during this audit.