Enterprise Resource Planning (ERP) II Pre-System Implementation Interim Audit Report

Accounts Receivable Module

September 4, 2015

FORT WORTH

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The ERP Phase II Pre-System Implementation Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2015 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- evaluate internal control design;
- determine accuracy and completeness of data; and,
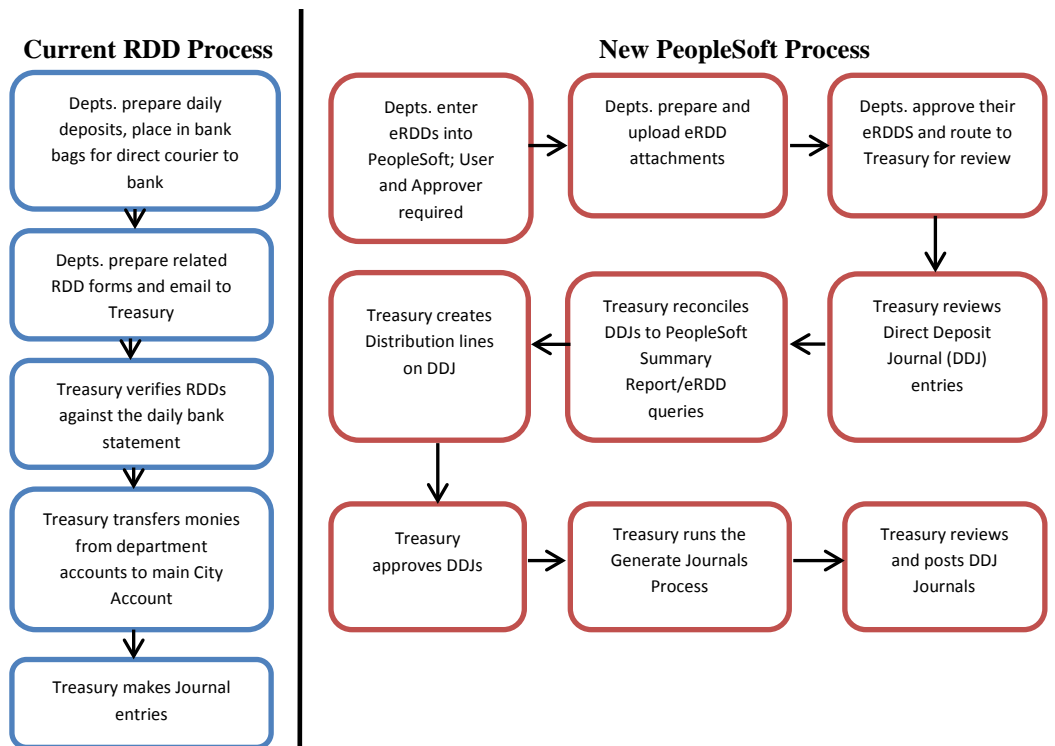- ensure reports generated from the new system are accurate and reliable.

Audit Scope

Our audit covered existing and proposed Accounts Receivable processes

Opportunities for Improvement

Full implementation of PeopleSoft A/R and Billing Modules

Executive Summary

As of October 1st, 2014, the Financial Management Services department implemented a process revision for the handling of Receipt Distribution Documents (RDDs) currently used by departments to record revenue collected for goods and/or services. Prior to this process revision, RDDs were manually prepared by user departments, placed in bank deposit bags, and then forwarded to the Treasury Division of the Financial and Management Services Department. The Treasury Division would then verify RDDs against accompanying deposits, consolidate revenues collected, create a single daily deposit, and then forward the daily deposit and accompanying deposit slip to the bank.

Current RDD Process

- Depts. prepare daily deposits, place in bank bags for direct courier to bank
- Depts. prepare related RDD forms and email to Treasury
- Treasury verifies RDDs against the daily bank statement
- Treasury transfers monies from department accounts to main City Account
- Treasury makes Journal entries

New PeopleSoft Process

- Depts. enter eRDDs into PeopleSoft; User and Approver required
- Depts. prepare and upload eRDD attachments
- Depts. approve their eRDDS and route to Treasury for review
- Treasury reviews Direct Deposit Journal (DDJ) entries
- Treasury reconciles DDJs to PeopleSoft Summary Report/eRDD queries
- Treasury creates Distribution lines on DDJ
- Treasury approves DDJs
- Treasury runs the Generate Journals Process
- Treasury reviews and posts DDJ Journals

All departments are currently required to create an RDD that is e-mailed to the Treasury Division. The Treasury Division then reviews each emailed RDD and reconciles the RDDs to the daily bank statement. Once reconciled, Treasury makes appropriate journal entries, including a transfer from departmental depository accounts to the City's main / parent bank account.

The Department of Internal Audit encourages City staff to continue with full implementation of the PeopleSoft A/R and Billing Modules, as such should help improve the City's revenue management. As of our audit fieldwork date, there was no estimated timeframe in which implementation of the remaining A/R and Billing modules would be completed.

The Department of Internal Audit has noted issues that we feel should be addressed/considered within the recently automated cash reporting process. These issues are discussed in further detail within the Detailed Audit Summary of this report.
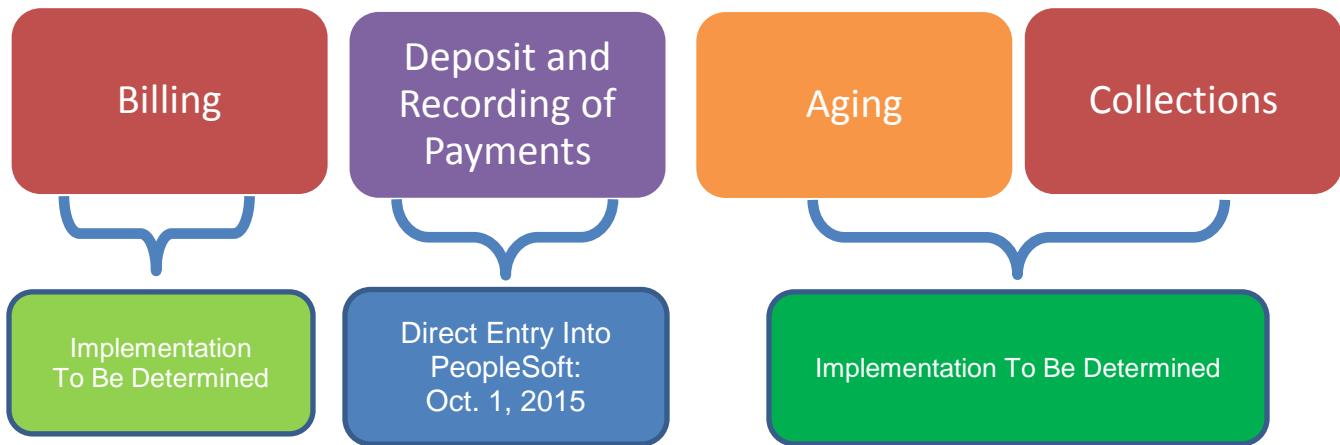
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Background

As noted within the Executive Summary of this report, the City of Fort Worth did not fully implement the PeopleSoft Accounts Receivable Module. Instead, the implementation consisted of allowing user departments to input their collections directly into PeopleSoft. Management has indicated that full implementation of the Accounts Receivable module will be addressed in the next phase of the ERP project.

The City's implementation of the Accounts Receivable Module is noted below.

Billing	Deposit and Recording of Payments	Aging	Collections
Implementation To Be Determined	Direct Entry Into PeopleSoft: Oct. 1, 2015	Implementation To Be Determined	

PeopleSoft indicates that the Receivables Module will enable users to:
- enter and track receivables;
- receive and apply payments;
- manage outstanding receivables; and,
- manage payment disputes and deductions that have a negative impact on outstanding amounts.

Objectives

The objectives of this audit were to:
- evaluate internal control design;
- determine accuracy and completeness of data; and,
- ensure reports generated from the new system are accurate and reliable.

Scope

Our audit scope covered existing RDD and proposed eRDD processes.

The Department of Internal Audit did not conduct a review of eRDD processing since the process is currently limited to cash receipting. Cash receipting will be addressed during the Department of Internal Audit's Revenue Collections Process Audit that is currently in process.

Methodology

The Department of Internal Audit interviewed Financial Management Services' staff and ERP Phase II project team members to gain an understanding of the current and planned processes upon implementation of the new software. We also reviewed business process flowcharts and discussed internal controls with the aforementioned staff.

We conducted this audit in accordance with generally accepted government auditing standards, except for peer review[1]. 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.

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[1] Government auditing standards require audit organizations to undergo an external peer review every three years. A peer review is planned in 2017 for the three-year period ending December 31, 2016.

Detailed Audit Summary

Issues/Risks	Current System	PeopleSoft	Assessment
User Training	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	User departments will input their RDD information directly into PeopleSoft.	User training for the eRDD functionality is scheduled for September 22nd through October 9th. Since the training is scheduled to occur beyond the October 1st go-live date, it is possible that not everyone that is responsible for eRDD processing will receive training prior to the October 1st go-live date.
Timeliness of eRDD input	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	Departments will enter their deposit information directly into PeopleSoft. Each day, the system will "match" departmental entries to posted bank deposits. The Treasury Division has been provided with a Reporting Dashboard "widget" that will present graphical information on the number and amount of eRDD deposits by bank account for the current accounting period.	Since revising the RDD process, there have been occasions where departments are late e-mailing RDDs to the Treasury Division. If departments do not become accustomed to submitting information on a daily basis, delayed entries within PeopleSoft could result in substantial "no matches" once going live. In turn, this could result in Treasury staff spending a substantial amount of time reconciling PeopleSoft to the bank statement, as well as following up with user departments.

Written Policies and Procedures	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	Departments will enter their deposit information directly into PeopleSoft. Each day, the system will "match" departmental entries to posted bank deposits. On a daily basis, Accounting/Cash Management staff will reconcile PeopleSoft entries to the bank statement. User Productivity Kits (UPKs) and Training Modules have been made available to assist users with the entry of eRDDs into PeopleSoft.	Standard policies and procedures for the processing of eRDDs should be created, routinely updated, and consistently enforced to help ensure compliance, consistency and timely processing of revenue information.

Issues/Risks	Current System	PeopleSoft	Assessment
Adequate Separation of Duties	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	Departments will enter their deposit information directly into PeopleSoft. Each day, the system will "match" departmental entries to posted bank deposits. On a daily basis, Accounting/Cash Management staff will reconcile PeopleSoft entries to the bank statement.	An analysis of departmental role assignments has revealed that 73 users will have the ability to both enter and approve eRDDs when PeopleSoft GL goes live on October 1st. PeopleSoft's user security profiles need to be assigned in a manner that ensures proper segregation of duties.
Exception Reporting	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	Departments will enter their deposit information directly into PeopleSoft. Each day, the system will "match" departmental entries to posted bank deposits. On a daily basis, Accounting/Cash Management staff will reconcile PeopleSoft entries to the bank statement.	Exception handling procedures should be established and regularly maintained in order to assist with the correction of any eRDDs that are in error.
Revenue Classification	User departments are required to e-mail RDDs to the Treasury Division. The Treasury Division must then reconcile information contained within the RDDs to the bank statement.	Departments will enter their deposit information directly into PeopleSoft. Each day, the system will "match" departmental entries to posted bank deposits. On a daily basis, Accounting/Cash Management staff will reconcile PeopleSoft entries to the bank statement.	The Treasury Division can verify the accuracy of revenue codes that are entered on the RDD/eRDD, and can ensure that revenue is recorded correctly. FMS and Treasury management should stress to departments the importance of correct revenue classification, and develop policies and procedures to assist in the correct classification of revenues.

Acknowledgements

The Department of Internal Audit would like to thank staff within the Financial Management Services Department and the Information Technology Solutions Department for their cooperation and assistance during this audit.