



CITY AUDITOR'S OFFICE

TO: Mayor and Council Members  
THRU: Margaret L. Krym, City Auditor  
FROM: Kathy Magaw, Assistant City Auditor  
DATE: October 2, 2013  
SUBJECT: Uncollected Receivables/Retirees – Follow up Action Items

The City provides health insurance benefits to some of its retirees and allows these retirees to select additional non-City-provided insurance benefits such as dental, vision or dependent insurance coverage as well. The City contracts with insurance providers for these non-provided benefits and pays the cost on behalf of the retiree. The Human Resources Department Benefit Specialist bills the retirees for their portion of this cost monthly. The Cashier's Office accepts payments for those retirees that self pay. The remaining retirees have automatic deductions taken from their pension check and remitted to the City.

On May 16, 2011, the City Auditor's Office received a call through the Audit Hotline alleging that there were outstanding past due balances owed to the City by some of these retirees for health insurance coverage premiums and that some of these outstanding balances were large amounts.

The City Auditor's Office researched these concerns and issued a report on September 29, 2011. The report included two recommendations, which Management agreed to implement. We have followed up on the status of the implementation of these agreed upon action items and our report follows.

During the follow up activity we obtained the June 2013 accounting of the outstanding balances and compared this to the outstanding balances from the original reporting period (May 2011).

	5/31/2011 Amount	6/30/2013 Amount	Increase (Decrease)
Current	7,332	(32)	(7,363)
Days 1 - 30	448	745	297
Days 30 - 60	221	185	(37)
Days 60 - 90	283	711	428
Days 90 - 120	58	230	172
Days > 120	18,328	3,739	(14,589)
Total	26,670	5,577	(21,093)

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These outstanding balances decreased by over \$21K and balances outstanding for more than 120 days decreased by over \$14K.

In June 2013, there were 20 accounts with balances greater than one dollar and this was significantly less than the 60 accounts in May 2011. This reduction is shown below:

	5/31/2011		6/30/2013		Increase (Decrease)
	# of Accounts	Amount	# of Accounts	Amount	
Accounts with a balance greater than \$1.	60	18,327	20	3,738	(40)
Accounts with a balance less than \$1 and greater than zero.	5	.75	33	.90	28
Days > 120	65	18,328	53	3,739	(12)

**Recommendation #1:**

We recommended that Management monitor these accounts; regularly reconcile the subsidiary ledger to the general ledger, prepare and review aging reports and pursue collection efforts.

Management agreed that they would develop a procedure to establish and regularly reconcile the subsidiary ledger and monitor the outstanding balances.

The Human Resources Department now has a procedure in place to monitor these balances and pursue collection efforts. The decrease in the outstanding balances and in the number of past due accounts illustrates the results of these efforts.

The Financial Services Department has worked to reconcile the remaining differences between the general ledger and the detailed accounts ledger for these receivables. The un-reconciled difference at the end of June 2013 was less than \$2,000 and staff is working to resolve that difference and make any necessary adjustments.

This agreed upon action item has been completed and the risk mitigated.

**Recommendation #2:**

We also recommended that policies and procedures to govern the management and collection of these accounts be documented and made available to all staff involved.

Management agreed to develop policies and procedures as recommended.

The Human Resources Department has documented a procedure for the governance of these receivable balances.

This agreed upon action item has been completed and the risk mitigated.

**Uncollected Receivables/Retirees – Follow up Action Items**

The City Auditor's Office would like to thank Lisa Sonogo, Human Resources Director, Jill Ramirez, Benefits Coordinator, and Carla Benison, Senior Accounting Manager for their assistance during our follow up review.

If there are further questions or concerns regarding this memo, please contact the Kathy Magaw at 242-3381 or Margaret Krym at 242-3380.

C:     John Szerlag, City Manager  
          Dolores Menendez, City Attorney  
          Rebecca van Deutekom, City Clerk  
          Victoria Bateman, Financial Services Director  
          Carla Benison, Senior Accounting Manager  
          Lisa Sonogo, Human Resources Director  
          Jill Ramirez, Human Resources Benefits Coordinator  
          Audit Committee