



# Revenue Collections FY 2020



**City of Charlotte**  
**Internal Audit Department**  
600 E. Fourth St.  
Charlotte, NC 28202

## **Staff**

### **City Auditor**

Gregory L. McDowell, CPA, CIA

### **Audit Supervisor**

Marie Marsicano

### **Senior Auditor**

Will Pellisero, CPA, CIA

To learn more about Internal Audit,  
please visit our [website](#).

**August 21, 2020**

# Revenue Collections FY 2020 Audit

## Executive Summary

### Objective

This audit was conducted to determine whether departments have maintained effective controls over revenue collections and whether Citywide collection activities are adequately monitored.

### Background

Revenue Collection activities are governed by North Carolina General Statute and City policies. The relevant policies are administered by the Revenue Division of the Finance Department (Revenue). Both the NC General Statute and City policies require that collection of monies be deposited within 24 hours of receipt.

The City has 28 active revenue sites and 31 merchant accounts accepting credit card payments, each with different activity levels.

### Conclusion

Revenue controls are satisfactory and working effectively.

### Highlights

#### *Controls are operating effectively.*

- During FY 2020 and FY 2019, collections of cash and checks totaled \$308 million and \$348 million, respectfully.
- Credit card revenue has decreased from \$79 million in FY 2019 to \$57 million in FY 2020.
- Per Finance, in FY 2020 there were 5,521 deposits made electronically via remote deposit capture and 4,683 deposits made via armored car.
- The Revenue Compliance Officer (RCO) is responsible for performing monitoring activities at various intervals – daily, monthly, quarterly, and annually.
  - The position was vacated in FY 2020 and remains open. The control responsibilities of this position have been adequately delegated among several other Revenue staff members.

## Contents

Highlights .....	1
Background .....	3
Objective .....	4
Scope, Methodology, and Compliance .....	4
Finding .....	5
<i>Controls are operating effectively.</i> .....	5
Conclusion .....	5
Distribution of Report .....	5

## Background

Revenue Collection activities are governed by North Carolina General Statute 159-32 and the City's Cash Receipts and Accounts Receivable Policy (FIN 12). The policy is administered by the Revenue Division of the Finance Department (Revenue). The NC General Statute and the City policy both require that collection of monies be deposited within 24 hours of receipt. The policy further outlines the need for each department's Fiscal Control Liaison (FCL), or designee, to submit documents supporting each deposit to the Revenue Division Central Cashier. Additionally, Finance issued the Financial Internal Control Policy (FIN 1). This policy outlines several standards outlining appropriate control measures that need to be in place.

An additional monitoring control was implemented in FY 2016 when Revenue added the Revenue Compliance Officer (RCO) position. The RCO maintains relationships with other departments' revenue collection staff. The RCO position performs various monitoring activities and collaborates with staff, Citywide, regarding processes and procedures.

The City has 28 active revenue collection sites and 31 merchant accounts accepting credit card payments, each with different activity levels. During FY 2020 and FY 2019, collections of cash and checks totaled \$308 million and \$348 million, respectively. Credit card revenue has decreased from \$79 million in FY 2019 to \$57 million in FY 2020. The decrease in total revenue was largely due to how the COVID-19 pandemic affected two departments. Parking revenue at Aviation dropped substantially and CATS temporarily suspended fares. Per Finance, in FY 2020 there were 5,521 deposits made electronically via remote deposit capture and 4,683 deposits made via armored car. Internal Audit has conducted several unannounced site visits each year since 2015. The various collection locations have been grouped together by department in the following chart.

Department	FY 2020			FY 2019		
	Cash/Check	Credit	Total	Cash/Check	Credit	Total
<b>Finance</b>	\$150 M	\$ 2 M	\$152 M	\$156 M	\$9 M	\$165 M
<b>Aviation</b>	66 M	46 M	113 M	105 M	60 M	165 M
<b>CLTWater</b>	50 M	-	50 M	47 M	-	47 M
<b>CATS</b>	8 M	5 M	13 M	11 M	7 M	18 M
<b>E&amp;PM</b>	17 M	1 M	18 M	11 M	<1 M	11 M
<b>6 departments</b> (each <\$10m)	17 M	2 M	19 M	18 M	2 M	21 M
	<b>\$308 M</b>	<b>\$57 M</b>	<b>\$365 M</b>	<b>\$348 M</b>	<b>\$79 M</b>	<b>\$427 M</b>

## Objective

---

This audit was conducted to determine whether departments have maintained effective controls over revenue collections and whether Citywide collection activities are adequately monitored.

## Scope, Methodology, and Compliance

---

### Scope

The audit covered cash and credit card collections during FY 2020.

### Methodology

To achieve the audit objectives, auditors performed the following:

- Conducted unannounced site visits of seven collection locations throughout the City
  - These visits included interviews, process walkthroughs, and tracing a judgmental sample of daily deposits to the General Ledger
- Reperformed selected Revenue Control Officer duties/controls
- Traced a random sample of daily deposits to the General Ledger
- Obtained third-party credit card control documentation

### Compliance

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.

## Finding

---

### *Controls are operating effectively.*

The Revenue Collection Officer (RCO) is responsible for performing monitoring activities at various intervals – daily, monthly, quarterly, and annually. These tasks serve to ensure departments' revenue collection activities adhere to City policies. Additionally, Finance's E-business team works with the Innovation and Technology Department (I&T) and other departments to ensure the City is compliant with the Payment Card Industry Data Security Standard (PCI DSS). Audit testing confirmed that these controls are operating effectively.

Prior audit reports have detailed the 24-hour statutory deposit limit. With the attention Revenue has given to this issue, compliance continues to improve.

	Total # of Checks Deposited	# of Checks Reviewed (by Revenue)	Percent Reviewed	Sampled Checks with Late deposit	% of Sample
Q1	4,939	914	19%	21	2.3%
Q2	4,961	1,457	29%	-	0.0%
Q3	4,750	1,219	26%	2	0.2%
Q4	3,902	1,184	30%	3	0.3%
	18,552	4,774	26%	26	0.5%

While the number of late deposits was low during the audit period, Revenue needs to continue its efforts to remain compliant with City policy.

During FY 2020, the RCO position was vacated and remains open. The control responsibilities of this position have been adequately delegated among several other Revenue staff members.

## Conclusion

---

Revenue controls are satisfactory and working effectively.

## Distribution of Report

---

This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).