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## Division of Inspector General

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### REPORT NO. 2023-27

TO: Chris Rose, Director  
Office of Management and Budget

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *md*  
Division of Inspector General

DIST: Barry Burton, County Administrator  
Kevin Knutson, Assistant County Administrator  
Ken Burke, CPA, Clerk of the Circuit Court and Comptroller  
Jeanette Phillips, Chief Deputy Director, Finance Division  
The Honorable Chair and Members of the Board of County Commissioners

SUBJECT: Audit of Accounts Receivable Write-Offs for Fiscal Year 2022 and  
Inspection of the Accounts Receivable Write-Off Approval Memo for Fiscal  
Year 2021

DATE: October 18, 2023

This letter serves to inform you that the Division of Inspector General completed an audit of Accounts Receivable Write-Offs.

The objectives of our audit were to:

1. Determine if accounts receivable write-offs for Fiscal Year (FY) 2022 complied with County Resolution 05-61
2. Determine if the accounts receivable write-off approval request memo for FY 2021 complied with County Resolution 05-61

Our audit scope was limited to evaluating accounts receivable write-offs to ensure compliance with County Resolution 05-61. Historically, the County's external auditors performed agreed-upon procedures to ensure accounts receivable write-offs complied with County Resolution 05-61. Our audit entailed comparable procedures, and we performed compliance testing of accounts receivable write-off records on a sample basis



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for FY 2022. In addition, we inspected the accounts receivable write-off approval memo, in the form of the Office of Management and Budget (OMB) Management Representation Letter, for FY 2021 accounts receivable write-offs.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.

### **Testing Results**

We obtained the accounts receivable write-off records from the OMB Write-Off Coordinator, who collected the records from the associated Pinellas County (County) departments. The proposed total amount of accounts receivable write-offs was \$2,358,375.33. There were no individual accounts receivable write-off records that exceeded \$10,000.

We selected a non-statistical sample of 60 accounts receivable write-off records totaling \$22,680.81, approximately 1% of the population's total amount. Of the 60 records in the sample, 49 were randomly selected, and 11 were judgmentally selected based on the following criteria:

- Higher valued write-offs
- Questionable collection efforts
- Questionable reason to classify balance as uncollected

We tested the sampled write-off records to determine whether balances were aged at least one year by comparing the invoice due date to the date we acquired the write-off records from OMB. As of the date of our testing, all records complied with the one-year aging requirement except three records that were not applicable due to the business no longer servicing the County, a customer who could not be located, and a vendor going out of business.

We reviewed the collection effort narratives County departments submitted to OMB to determine if collection attempts were made. Our overall assessment was that management's collection efforts were in accordance with Resolution 05-61 requirements.

Some collection efforts were not applicable because they could not be billed. Below is a summary of records written off due to contractual, regulatory, or legal circumstances that were presented in the associated department's narrative.

Write-Off Category	Number of Records	Amount
Automatic Write-Off Jail	8	\$1,493.02
Automatic Write-Off Hospice	14	942.60
Legal Action	7	2,674.65
Sunstar Membership	4	850.00
<b>Total</b>	<b>33</b>	<b>\$5,960.27</b>

In addition, there were 12 records written off due to their nominal value totaling \$29.20.

We obtained the accounts receivable write-off approval request memo, in the form of the OMB Management Representation Letter, for FY 2021 from the Write-Off Coordinator. We inspected and verified the following:

- The write-off activity contained in the memo was dated from October 1, 2020, through September 30, 2021.
- The memo was signed by the County Administrator.
- The Board of County Commissioners (BCC) approved the accounts receivable write-offs for FY 2021.

We did not validate the integrity of the accounts receivable write-off records the OMB provided, nor did we perform an examination of the associated internal controls of the entire accounts receivable write-off process. Moreover, our audit did not cover the accounting principles used to record and track accounts receivable write-offs.

### **Conclusions and Observations**

Sample testing of the accounts receivable write-off records for FY 2022 resulted in **no non-compliance issues**. Our review of the accounts receivable write-off approval request memo, in the form of the OMB Management Representation Letter, for FY 2021 also resulted in **no non-compliance issues**. However, we noted that Resolution 05-61 contained the following information (*italicized*) that was not aligned with current accounts receivable write-off practices:

- *“Write-offs will be submitted for approval after all collection efforts have been exhausted. Part of this process includes leaving the receivables on the books for a period of time of no less than one year before presenting to the County Administrator or Board for write-off.”*

Although the minimum amount of aging time was designated as one year, the Resolution did not reference permitted exceptions to the minimum aging requirement. Some examples are accounts receivable write-offs for nominal amounts, contractual and regulatory requirements, and legal actions. Additionally, the Resolution did not define acceptable standards for collection efforts.

- *“Every October and/or March each department with write-off activity will forward the amount and related detail to the County Write-Off Coordinator.”*

According to the Write-Off Coordinator, departments typically submitted accounts receivable write-offs to OMB in December each year.

- *“The County Write-Off Coordinator will review and collate all department information and prepare the related approval request memo.”*

The Resolution referenced the “approval request memo.” However, we noted the FY 2021 document was referenced as the “Management Representation Letter” in Legistar, the County’s legislative management software. The Write-Off Coordinator confirmed the Management Representation Letter was the equivalent of the approval request memo noted in the Resolution.

- *“The County’s external auditors will be contacted and arrangements made for them to review a sampling of transactions.”*

The County’s external auditors no longer perform agreed-upon procedures. The Division of Inspector General has been designated by management to perform the accounts receivable write-off audit annually.

- *“The County Administrator shall report to the Board the amount of the write-offs approved under this resolution for each prior year’s period and such reports, if necessary, shall be made no later than January 1 and July 1 of each year.”*

According to the Write-Off Coordinator, accounts receivable write-offs were typically presented to the BCC in February each year. Moreover, the reporting of FY 2021 write-off activity to the BCC occurred on October 25, 2022.

On April 5, 2005, the BCC approved Resolution 05-61, which established a uniform write-off policy for accounting purposes. The Government Finance Officers Association (GFOA) Best Practices states the following:

*“A well-designed and properly maintained system of documenting financial and accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. The documentation of financial and accounting policies*

*and procedures should be evaluated annually and updated periodically, at least every three years, according to a predetermined schedule.*

*An appropriate level of management should openly promote accounting policies and procedures to emphasize their importance and authority.... Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur.”*

Practices for accounts receivable write-offs have evolved in the County, which included County department personnel changes. Outdated financial policies and procedures for accounts receivable write-offs could result in inconsistencies, inefficient training, lack of accountability, and non-compliance.

**We Recommend Management:**

- A. Update the Resolution to include the exceptions that override the one-year aging requirement and define collection effort expectations. If the Resolution is not the preferred mechanism in which to include this amount of detail, we recommend management create a separate accounts receivable write-off policy to be incorporated by reference in the Resolution.
- B. Collaborate with the Finance Division to designate appropriate time frames for departments' submission of write-offs to OMB and update the Resolution accordingly.
- C. Determine whether use of the “Management Representation Letter” will continue or if an alternate document will take its place, and if so, update the Resolution to reference the actual document's name.
- D. Replace the “County's external auditors” referenced in the Resolution with the “Division of Inspector General.”
- E. Collaborate with the Finance Division to designate appropriate time frames for the County Administrator to report write-offs to the BCC and update the Resolution accordingly.

**Management Response:**

A – E. **Management Concur.** The Office of Management and Budget concurs with the recommendations and will work with the Clerk's Office to update the resolution, current procedures, and timeframes.

We appreciate your staff's cooperation during this audit.

MD/DW