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## Division of Inspector General

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### REPORT NO. 2024-20

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  
Jill Silverboard, Deputy County Administrator/Chief of Staff  
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 2023 and Inspection of the  
Accounts Receivable Write-Off Approval Memo for Fiscal Year 2022

DATE: November 6, 2024

This letter serves to inform you 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 (FY) 2023 complied with County Resolution No. 05-61 and County Resolution No. 24-29, as applicable
2. Determine if the accounts receivable write-off approval request memo for FY 2022 complied with County Resolution No. 05-61, the previous resolution governing that time period

Our audit scope was limited to verifying accounts receivable write-offs for FY 2023 and the FY 2022 accounts receivable write-off approval request memo to ensure compliance with County Resolution No. 05-61 and County Resolution No. 24-29, as applicable.



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On May 21, 2024, the Board of County Commissioners (BCC) approved Resolution No. 24-29, amending and restating the previously adopted Uniform Write-Off Policy for Accounting Purposes. The Resolution provides for the designation of a County Write-Off Coordinator, concurrence of auditors, and reporting to the BCC by the County Administrator regarding the amounts written off.

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 Office of Management and Budget (OMB) Write-Off Coordinator who collected the records from the associated Pinellas County (County) departments. The proposed total amount of accounts receivable write-offs for FY 2023 was \$4,410,567. One individual accounts receivable write-off record exceeded \$10,000, in the amount of \$20,000, due to a state contract dispute.

The \$20,000 write-off will require the BCC's formal approval per Resolution No. 24-29, which is cited in part within the **Conclusions and Observations** section. In next year's audit, the Inspector General (IG) will review the FY 2023 accounts receivable write-off approval request memo and the BCC approval documentation for the FY 2023 \$20,000 write-off record, along with FY 2024 write-off transactions.

We selected a non-statistical sample of 60 accounts receivable write-off records totaling \$37,703, approximately 1% of the population's total amount. Of the 60 records in the sample, we selected 52 randomly and 8 judgmentally based on the amount of the write-offs.

We tested the sampled write-off records to determine whether balances were aged at least one year to ensure compliance with the one-year aging requirement in Resolution No. 24-29. In addition, since the population of Safety and Emergency Services Department records totaled 26,377 transactions and we were able to analyze the associated timing readily, we reviewed the department's entire population for aging compliance. We performed this calculation by comparing the receivable transaction date to the date we completed our sample testing, which was August 31, 2024.

As of the date of our testing, we identified 2,684 Safety and Emergency Services Department write-off records, or approximately 10% of the department's total FY 2023 requested write-off transactions, that did not meet the one-year aging requirement with the last transaction dated September 30, 2023. However, all write-off records would meet the one-year aging requirement if presented for write-off after September 30, 2024.

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 No. 05-61 and Resolution No. 24-29, as applicable, requirements.

Some collection efforts were not applicable because they could not be billed or could not be pursued further due to statutory limitations. Below is a summary of records within our sample written off due to contractual, regulatory, statutory, or legal circumstances that were presented in the associated departments' narratives.

| Write-Off Category           | Number of Records | Amount            |
|------------------------------|-------------------|-------------------|
| Automatic Write-Off Contract | 1                 | \$13.44           |
| Automatic Write-Off Hospice  | 9                 | 921.26            |
| Automatic Write-Off Jail     | 1                 | 375.77            |
| Legal Actions                | 17                | 7,287.69          |
| Memberships                  | 4                 | 549.62            |
| Workers' Compensation        | 1                 | 246.35            |
| Statutory                    | 2                 | 49.52             |
| <b>Total</b>                 | <b>35</b>         | <b>\$9,443.65</b> |

In addition, 17 records were written off due to their nominal value totaling \$17.16.

Management did not prepare the FY 2022 accounts receivable write-off approval request memo. Therefore, we could not test its compliance with Resolution No. 05-61. See the **Conclusions and Observations** section for more discussion.

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 2023 resulted in **no non-compliance issues**. However, management did not prepare the FY 2022 accounts receivable write-off approval request memo to comply with Resolution No. 05-61, the County's Uniform Write-Off Policy for Accounting Purposes governing the period of required completion.

In calendar year 2023, at the request of management, the IG began performing the audit of the accounts receivable write-offs starting with FY 2022 write-off transactions, which an external auditor performed previously. Subsequent to our audit of FY 2022 write-off transactions, it was the County Write-Off Coordinator's responsibility to finalize an approval request memo with the results of our audit in compliance with the resolution.

While performing previous accounts receivable write-off audits, the external auditor prepared a Management Representation Letter, which required the County Administrator's signature. The

letter's signature confirmed the financial information provided to the external auditors was complete and accurate; however, it was not an approval request memo as stipulated by the resolution. Based on our interpretation, management was required to draft the FY 2022 accounts receivable write-off approval request memo in accordance with Resolution No. 05-61 and, moving forward, in accordance with Resolution No. 24-29, which is the County's current Uniform Write-Off Policy for Accounting Purposes.

Resolution No. 24-29 requires the County Write-Off Coordinator to prepare the accounts receivable write-off approval request memo after receipt and collation of department write-off information. Subsequent to the IG's audit, the County Write-Off Coordinator includes the audit results with the memo. The County Write-Off Coordinator then presents to the County Administrator for review and approval prior to County Administrator notification to the BCC. Moreover, the BCC must have a meeting agenda item to approve singular write-offs in excess of \$10,000. This process remains unchanged from Resolution No. 05-61.

Resolution No. 24-29 superseded Resolution No. 05-61 on May 21, 2024. Resolution No. 24-29 amendments included clarifications and allowed for the selection of an external auditor or utilization of the IG as auditor. Due to the transition from external auditors to the IG for performing the accounts receivable write-offs audit, there was some confusion on what constituted the accounts receivable write-off approval request memo.

Management believed the IG's report, Report No. 2023-27, Audit of Accounts Receivable Write-Offs for FY 2022 and Inspection of the Accounts Receivable Write-Off Approval Memo for FY 2021, would suffice as the approval request memo for FY 2022. Accordingly, County Administration presented our audit along with the write-off transaction support to the BCC for review and approval on January 30, 2024.

At the inception of the current audit, we discussed with the County Write-Off Coordinator that a memo should be drafted with the requirements as stated in Resolution No. 24-29. Subsequently, the County Write-Off Coordinator began drafting the approval request memo.

Resolutions establish policies and guidelines that govern specific activities within the jurisdiction of the local government. They provide a legal framework for decision-making and provide consistency in administrative processes. Noncompletion of the accounts receivable write-off memo for FY 2022 created non-compliance with Resolution No. 05-61, the Uniform Write-Off Policy for Accounting Purposes. Completion and approval of the memo and attached write-off documentation and audit results serves as a control to ensure key parties in the process are engaged. This holds departments accountable for providing adequate supporting documentation and reduces the risk of inappropriate accounts receivable write-off activity.

Resolution Nos. 05-61 and 24-29, the previous and current County uniform write-off policy, respectively, stated the following:

*"The County Write-Off Coordinator will review and collate all department information and prepare the related approval request memo and documentation incorporating the totals of each individual department....The results of this review*

*[the IG audit] will be forwarded to the County Write-Off Coordinator for incorporation into the approval request memo and documentation.*

*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.*

*The completed write-off documentation will be forwarded to County Administration for review and approval. In the case of receivables in excess of \$10,000 the request and documentation shall be placed on the Board's meeting agenda for approval."*

**We Recommend Management:**

- A. Finalize the draft accounts receivable write-off approval request memo for FY 2023 write-off transactions to comply with Resolution No. 24-29.
- B. Provide the finalized FY 2023 accounts receivable write-off approval request memo with the supporting documentation and the IG's audit report to the County Administrator for approval and presentation to the BCC.
- C. Ensure the identified \$20,000 accounts receivable write-off record is placed on the BCC agenda for approval.
- D. Ensure the one-year aging requirement is met for the FY 2023 accounts receivable write-off records that had not met this requirement as of the date of audit fieldwork.

**Management Response:**

- A - C. **Management Concurs.** Management is currently in the process of completing the memorandum, presenting it to the County Administrator for review and approval, and placing it on an upcoming BCC Agenda for final approval. Due to a write-off exceeding the County Administrator approval limit, approval by the BCC is also required.
- D. **Management Concurs.** Management will seek approval of all items that meet this requirement as of September 30, 2024. Management will ensure this is met annually and adjust expectations with departments.

We appreciate your staff's cooperation during this audit.

MD/DW