Audit of Port of Milwaukee Billings, Receivables, and Fixed Assets

City Comptroller's Office
City of Milwaukee, Wisconsin

March 2012

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City of Milwaukee

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Office of the Comptroller

March 26, 2012

To the Honorable
the Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of Port of Milwaukee Billings, Receivables, and Fixed Assets. The objectives of the audit were to evaluate the implementation status of recommendations from three audits performed at the Port of Milwaukee: 2005 Audit of Port's Billing, Collection and Accounts Receivable; 2009 Review of Port's Fixed Asset Inventory, performed by M.L. Tharps and Associates; and 2009 Sales Tax Audit, performed by the Wisconsin Department of Revenue. The audit also examined the accuracy and timeliness of billings and collections at the Port.

The audit determined that Port fully implemented nine recommendations, partially implemented two recommendations, and did not implement one recommendation from the 2005 audit of billings, receivables and fixed assets. The audit further determined that all recommendations were implemented from the 2009 review of fixed assets and audit of sales tax billings. Finally, the audit determined the Port of Milwaukee has improved internal controls for billings, receivables and fixed assets, but controls should be further strengthened. The audit makes thirteen recommendations to strengthen controls.

Audit results are discussed in the Audit Conclusions and Recommendations section, followed by the response from the Port of Milwaukee.

Appreciation is expressed to the staff at the Port of Milwaukee for the full cooperation extended to the auditors.

Sincerely,

MICHAEL J. DAUN
Deputy Comptroller

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202 – 3566 Phone: (414) 286-3321, Fax: (414) 286-3281

I. Audit Scope and Objectives

This audit was conducted as a follow-up audit that evaluated the implementation status of recommendations from three audits performed at the Port of Milwaukee – the Audit of Port of Milwaukee Billing, Collection and Accounts Receivable, report released in October 2005; the Review of Port of Milwaukee Fixed Assets Inventory performed by M.L. Tharps and Associates, LLC, report released in April 2009; and the Sales Tax Audit, released by the Wisconsin Department of Revenue in May 2009. The audit also examined the accuracy and timeliness of billing and collections at the Port.

The follow-up audit was conducted from June through August 2011. To evaluate the status of previous recommendations related to Port's billing and collection processes, samples were selected from the population of 2010 invoices from the City's FMIS Billing Module. Procedures used during the audit included inquiries of Port staff about billing procedures, verifying accuracy and timeliness of Port's invoices, identifying processes and controls for Port billings (including those in the billing module), reconciling Port's 2010 revenue from the Billing Module to revenues reported in the 2010 Comprehensive Annual Financial Report, tracing quantities and amounts for the samples of Port invoices into supporting documentation, and reviewing Port Accounts Receivable Reports as of December 31, 2010.

Audit procedures used to analyze the Port's Fixed Asset Schedule included inquiring of Port and City Comptroller staff about processes and related internal controls for updating fixed assets, tracing recommended corrections from the 2009 report to the Fixed Asset Schedule, and reviewing reports of 2010 fixed asset additions and disposals that Port sent to the City Comptroller.

The General Accounting Division of the Office of the Comptroller provides oversight of and enters fixed assets into the City's FMIS Fixed Asset Module, and both General Accounting and Auditing Divisions report to the City Comptroller. Generally accepted government auditing standards (GAGAS) define the activities performed by General Accounting as impairments to independence. GAGAS requires the Auditing Division to report that Auditing is not independent with respect to recording fixed assets. However, General Accounting and Auditing are separate divisions, and the Auditing Division does not perform or supervise General Accounting responsibilities. This separation of duties is a safeguard that offsets the impairment to independence.

Except for the impairment to independence with regards to the Schedule of Fixed Assets discussed above, the audit was conducted in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that the audit obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The Office of the Comptroller believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

The objectives of the audit were to verify:

- The implementation status of recommendations from the audit of the Port of Milwaukee's billings and collection procedures and records, report issued October 2005.
- The implementation status of recommendations from the M.L. Tharps & Associates' review of the policies, procedures and records for fixed assets at the Port, report issued April 2009.
- The implementation status of recommendations from the Sales Tax Audit released by the Wisconsin Department of Revenue in May 2009.
- Port's billing and collection process is accurate and timely.

II. Organization and Fiscal Impact

The Port of Milwaukee administers more than 450 acres of City owned property at or near the City's lakefront, linking waterborne, rail, and ground transportation in an accessible location close to downtown. Rates charged by the Port for services to tenants, shippers and other customers are established by the Municipal Port Tariff which is approved by the Board of Harbor Commissioners. Milwaukee World Festival and Discovery World at Pier Wisconsin also are located at the Port.

As identified in Table 1 below, Port's fixed assets consist of land valued at $7.8 million, infrastructure (net book value $7.3 million), buildings and improvements (net book value $6.8 million), machinery (net book value $761,000), and furnishings (net book value $5,000). Port fixed assets include railroad tracks, sewer and water lines, piers and dock wall, office and storage structures, service equipment and vessels. Port serves both the shipping companies at Port and the businesses serving them, including barge and tug operators, custom brokers, the U.S. Coast Guard, and ship repair businesses.

Table 1 – Port Fixed Assets

Description	Purchase Price	Allowance for Depreciation	Net Book Value
Land	$7,791,057	Not Applicable	$7,791,057
Infrastructure	16,619,467	$ (9,354,561)	7,264,906
Buildings	13,545,536	(7,316,683)	6,228,853
Improvements	2,342,459	(1,790,099)	552,360
Machinery	4,801,417	(4,040,893)	760,524
Furnishings	37,036	(31,990)	5,046
Totals	**$45,136,972**	**$(22,534,226)**	**$22,602,746**

The Port prepares invoices to tenants and customers through the billing and accounts receivable module of the City's Financial Management Information System (FMIS). After the Port's Finance Officer reviews and releases invoices, they are mailed by the Treasurer's Office, and customers send payments and remittances to the Treasurer, where the payments are recorded and deposited.

Table 2, below, identifies sources of Port of Milwaukee revenues in 2011 and 2010.

Table 2 – Port of Milwaukee 2011 and 2010 Revenues

Source of Revenue	2011	2010
Rents & Leases	$3,705,847	$3,878,339
Dockage & Mooring	292,892	224,859
Wharfage, Landborne & Thru-Put	843,927	629,436
Crane & Equipment Rentals & Labor	448,433	360,217
Water & Sewer	116,120	120,410
Lake Ferry Parking	34,907	40,519
Foreign Trade Zone (Fall 2011 - New)	10,100	0
Miscellaneous Services	181,027	144,679
Federal & State Grants	51,925	0
Insurance Recovery-Damaged Equipment	0	274,133
Total Revenues	**$5,685,178**	**$5,672,592**

III. Audit Conclusions and Recommendations

A. Summary Conclusions

This follow-up audit found Port billings were timely, with supporting documentation on file, and most invoices were accurate. Port fully implemented nine of the recommendations from the 2005 audit, partially implemented two, and did not implement one. The audit also found all recommendations from the 2009 Review of Port Fixed Asset Inventory and the Wisconsin Department of Revenue Audit of Sales Tax Payments & Billings were fully implemented. Detailed findings and recommendations are provided in the following sections of this report.

B. 2005 Billing, Collection & Accounts Receivable Audit

As the 2005 audit of Port billing, collection and accounts receivable reported, this follow-up audit also determined Port billings were timely and, with exceptions identified below, accurate.

Port fully implemented nine recommendations and two of three sub-recommendations from Recommendation 12, partially implemented one recommendation, and did not implement one recommendation and one sub-recommendation from Recommendation 12. The status of each 2005 recommendation and new recommendations for those not fully implemented are below.

2005 Recommendations Fully Implemented

Table 3 – 2005 Billing & Collection Recommendations Fully Implemented

Recom Number	Description
1	Port provided documentation for all rent escalations in the sampled 2010 invoices.
2	Tenant agreements have been amended so escalation clauses are based on the Producer Price Index or Consumer Price Index.
3	In 2010, Port timely billed tenants for City water service.
4	Port has designated the Facilities Supervisor as backup for the Operations Supervisor (also known as Harbor Master).
6	Operations Supervisor (Harbor Master) provides rentals for equipment, crane and labor hours to Port's accounting office on a timely basis, and invoices for these jobs are issued within thirty days of project completion.
7	In 2010, Port timely billed railroad companies for track maintenance and repairs. Billings are now prepared four times a year (quarterly), rather than once as year as was done in 2005. Also see new Recommendation 4.
8	Port retains supporting documentation for all invoiced amounts.
10	Documentation was available for special rates approved by the Port Director or the Harbor Master, but not in the format recommended by the 2005 audit. (The audit had recommended a memo of understanding signed by the Director and customer.) Recommendation implemented with alternate procedures.
11	Port continues to reconcile differences between its accounts receivable balance and the balance in FMIS Billing Module. Recommendation implemented with alternative procedures. Additional information about the Billing Module and new recommendations are discussed under "Other Findings and Recommendations."
12 A	The FMIS Billing Module automatically sends late notices for all invoices not paid within 45 days.
12 C	In Spring 2011, Port began to refer delinquent invoices to the City's collection agency for collection.

2005 Recommendation Partially Implemented

2005 Recommendation 9: Maintain log of all revenues and reconcile log to Port's deposits

In 2005, Port received $4.9 Million in revenue, payments were mailed directly to Port, and the Port receptionist received and opened the mail. The 2005 recommendation was designed to protect Port revenues from possible misallocation or misappropriation.

Today, payments for Port invoices are received and processed by the Treasurer's Office, not the Port receptionist. Port revenue in 2010 was $5.7 Million, and the receptionist received and processed only $7,200 for recreational fees and permits. With the procedural changes, the follow up audit concluded this recommendation was partially implemented with alternate procedures. However, Port should implement controls over the revenues received by the receptionist.

2005 Recommendations Not Implemented

Port did not implement two recommendations from the 2005 Audit of Billing, Collection and Accounts Receivable. These recommendations are discussed below, and alternative recommendations are proposed for each.

2005 Recommendation 5: Port should require independent documentation for all weights used to calculate wharfage, landborne and throughput charges

The follow-up audit determined tenants continue to self-report cargo weights to Port. Port's Marketing Analyst reviews the self-reports for reasonableness and forwards them to the Finance Officer for billing.

Port does not require independent documentation of the self-reported weights. The Port Director indicated that reconciling all monthly weights self-reported by the tenants would require high volumes of documentation and many hours of Port staff time. He stated Port has neither the space to store the paperwork nor the staff time to perform monthly reconciliations. Consequently, Port did not implement this recommendation.

2005 Recommendation 12 B: Port should add delinquency fees to unpaid delinquent invoices

The 2005 Audit indicated the FMIS Billing Module would add delinquency charges to overdue invoices. However, six years after implementation, the feature that would add delinquency charges has not been implemented. When the feature is implemented, it will be able to calculate only one delinquency fee or rate for all invoices; at this time, City departments and divisions have several different delinquency rates.

Because the Billing Module does not automatically add delinquency fees to existing invoices, Port would need to calculate and prepare new invoices for them, and Port does not do this. While these fees are not billed, some Port customers automatically add delinquency fees to delinquent invoice payments (e.g. U.S. Coast Guard).

Revised Recommendations from 2005 Audit

Recommendation 1: Reconcile recreational revenues received by receptionist to deposits

Recommendation 1, above, replaces 2005 Recommendation 9. Port's receptionist should

maintain a log of the revenues she receives and processes for recreational activities (e.g. – diving, park and water permits, and mooring fees for privately owned boats), and the Finance Officer should periodically reconcile this log to Port deposits. As discussed above under "Recommendation Partially Implemented," most Port revenues are no longer received or processed by the receptionist at Port. In 2010, Port's receptionist received and processed only $7,200 in revenues for recreational fees and permits. Given the reduction in revenues, we suggest these revenues be reconciled quarterly or semi-annually, not weekly.

Recommendation 2: Each month, reconcile self-reported weights from a sample tenant to independent documentation

Recommendation 2, above, replaces 2005 Recommendation 5, discussed under "2005 Recommendations Not Implemented." The 2011 follow-up audit recommends that Port reconcile self-reported weights to independent documentation for one tenant each month, with tenants arbitrarily selected by Port staff. Each tenant to be reconciled should be notified after the tenant sends monthly self-reported weights to Port. With this schedule, Port would periodically receive independent documentation from each tenant rather than each month. This would provide necessary oversight without burdensome staff time or storage requirements.

Recommendation 3: Continue to collect delinquent invoices

Recommendation 3, above, replaces 2005 Recommendation 12B, discussed on the previous page. In Spring 2011, Port began to follow up on delinquent invoices and to send seriously past due bills to the City's collection agency. We recommend Port focus staff time on collecting delinquent invoices rather than manually calculating and preparing new invoices to charge 1.5% interest per month for each delinquent invoice.

Also see Recommendations 11 and 13 under "Other Findings and Recommendations" below.

Verify Billings & Collections Accurate and Timely

To test the accuracy and timeliness of Port's billing process and the implementation status of recommendations from two audits (2005 Audit of Port Billing, Collection and Accounts Receivable, and 2009 Sales Tax Audit), the audit selected a sample of invoices from 2010 Port revenues. Invoices for all types of Port revenue except Milwaukee World Festival (MWF) rents were included in the sample. An audit of MWF rent was released in 2008 stating MWF rents were accurately billed.

Sample results verified Port has implemented seven recommendations and two sub recommendations from the 2005 audit, and has not implemented one recommendation. Implementation status of the remaining recommendations was determined from other audit procedures, including inquiry and inspection. Port provided supporting documentation for each invoice in the sample. Invoices in the sample were billed timely (within 30 days of service). Except for two errors discussed below, rates in the sampled invoices were consistent with Port's Tariff, lease agreements, special authorized rates, or other authorizing documents.

Railroad Car Counts Not Reconciled to Actual

The follow-up audit determined that Port now bills railroad (RR) companies each quarter for actual costs of maintaining railroad tracks, using car counts provided by tenants. (In 2005, Port used annual car counts provided by railroad companies several months after year-end.) However, the invoice sample identified an error in car counts for one quarter that resulted in overbilling to one RR company of $90.94 and under billing to the second company by the same amount. The audit determined quarterly car counts from tenants are not reconciled to car counts from the RR companies because Port no longer requests or receives annual counts from the railroads. Any errors in monthly or quarterly counts that are used to bill railroad companies cannot be identified by the current methodology.

Recommendation 4: Reconcile quarterly railroad car counts with annual counts from railroad companies

Port should request annual car counts from the railroad companies and reconcile quarterly counts to the annual counts. Counts from railroad companies should be considered valid, and adjustments, if required, should be made through the next quarterly invoice.

Winter Mooring Billings Not Consistent with Port's Tariff

The Port Tariff states that winter mooring rates apply through April 10, but two invoices in the sample extended winter rates beyond this date. While supporting documents for the two invoices identified "winter rates," extension of the winter rate was not verified in writing by the Harbor Master or Port Director. The Port Director and Finance Officer verbally indicated it is Port standard practice to charge the same mooring rate for the time a vessel is docked, but the audit determined there was no written documentation of the standard practice.

Recommendation 5: Revise Port Tariff to document application of winter mooring rates

The Port Tariff should reflect Port's standard practice and standard practice should be consistent with the Tariff.

C. 2009 Review of Port of Milwaukee Fixed Assets Inventory

The Comptroller's General Accounting Division manages the City's Schedule of Fixed Assets in the FMIS Fixed Asset Module. Comptroller staff updates the schedule annually, relying on reported fixed asset additions and disposals provided by Port and other City departments, and on information from general ledger accounts.

The follow-up audit determined all recommendations from the 2009 review of Port fixed assets, performed by M.L. Tharps & Associates, have been implemented by Port or the Comptroller's Office. General Accounting entered all recommended fixed asset corrections into the City's Schedule of Fixed Assets. Comptroller's staff also are familiar with Generally Accepted Government Accounting Standards, the City's fixed asset policy, and the fixed asset software.

The follow-up audit also determined that the Port of Milwaukee has adopted the City's Capitalization Policy, and the Port's Finance Officer is familiar with the policy – cost of $5,000 or more and useful life of more than one year.

New Findings Related to Port Fixed Assets

Staff in City departments or divisions, including Port, work directly with the fixed assets their department operates, maintains and/or repairs. With their knowledge of physical assets, department or division staff would be able to identify errors on the Fixed Asset Schedule, if any, by reviewing the Schedule after the Comptroller's Office enters updates.

Each year, Port's Finance Officer prepares a schedule of fixed asset additions and disposals, reviews them for accuracy and completeness, and sends them to the Comptroller's Office. However, the Officer does not review the FMIS Fixed Asset Schedule for accuracy because of time constraints.

The audit found City departments and divisions commonly do not review the Fixed Asset Schedule for accuracy; this is not unique to the Port. It is also common that departments and divisions routinely forget to inform Comptroller's staff of some fixed asset additions or disposals. It was indicated the risk that changes to fixed assets will not be identified is greater with donated or traded assets, with asset disposals, and with assets purchased with multiple payments when each payment is below the $5,000 capitalization threshold.

While fixed asset reporting errors from a single year are rarely material, after several years of misreporting, the cumulative effect often becomes material. In addition, fixed assets purchased from Federal grant funding, including Federal funds that flow through the State, are required to have a physical inventory every other year (*A-133 Compliance Supplement*). Several fixed assets at Port were purchased from Federal grant funds, including recent purchases of a windmill and a new workboat.

Recommendation 6: Review FMIS Fixed Asset Schedule yearly

To verify the City's schedule of fixed assets is accurate, Port staff should review the updated FMIS Fixed Asset Schedule at least once a year. The corrected schedule should be presented to the Board of Harbor Commissioners.

Recommendation 7: Conduct physical inventory of fixed assets as required

To meet Federal compliance requirements, Port should perform and document a physical inventory every other year of each fixed asset purchased from Federal funds.

To verify the schedule of fixed assets in the Fixed Asset Module is complete and accurate, a physical inventory of fixed assets purchased with funds other than Federal grants should be performed once every 7 to 10 years. The purpose of a physical inventory would be to verify the Fixed Asset Schedule accurately identifies fixed assets in the field.

D. 2009 Sales Tax Audit

In 2009, the Wisconsin Department of Revenue (DOR) conducted an audit of the City's sales tax payments & billings. DOR determined Port should add sales tax to some of their invoices,

including equipment rentals. The follow-up audit determined that Port has implemented the DOR sales tax recommendations. This audit also determined that equipment rentals when labor is provided and commercial vessel dockage are exempt from sales tax.

E. Other Findings and Recommendations

Port Does Not Monitor Lease Agreements

Port has more than thirty lease agreements with companies doing business at the Port. Each agreement contains unique provisions that may include rental rates and billing cycles (monthly, quarterly, annually, in advance or in arrears), landborne & participation charges, escalation clauses, renewal options (no renewal, automatic annual renewal, every five or ten years, etc.), and special equipment rental rates. However, Port leases are not monitored to verify they are implemented or billed as written.

Port Billings Not Reviewed for Completeness

Port billing information is provided by tenants and several different software programs that Port uses to identify operational activity. Some of the software programs also collect information about non-billable operations. The Port Director and Harbor Master (Operations Manager) also have authority to offer special one-time rates or provisions to Port customers. However, Port does not analyze invoices for completeness. The audit found procedures are not in place to verify documentation is sent to the Finance Officer for all billable activity, or that all billable records and special rates sent to the Finance Officer are invoiced.

The audit identified various types of records that are sent to the Finance Officer for billing. However, it was outside the scope of this audit to identify or analyze all of the software programs that capture activities at the Port or to determine whether Port's programs and records identify all activity there.

Recommendation 8: Port leases should be monitored

A manager who is familiar with Port's operations should monitor lease provisions and supporting documents. Since rent and lease revenue is more than 65 percent of Port's total revenue, monitoring leases is a critical Port activity.

Recommendation 9: Operations manager should review invoices

A Port operations manager who is familiar with supporting documentation and approved special rates should review a summary schedule of billed invoices on a monthly or quarterly basis to verify all billable activities at Port were recorded and billed and to verify invoices were billed at agreed-upon rates.

FMIS Billing Module Does Not Agree with Schedules of Receivables

There should be an accurate, complete record of unpaid invoices that identifies money due to the City. Unpaid billings prepared before the module was implemented are not included in the FMIS Billing Module, and some records in the FMIS Billing Module require corrections.

The City implemented the FMIS Billing Module in 2006, and Port invoices have been prepared in that module since its implementation. Today, accounting staff in various departments and divisions, including Port, create and save invoices; the Treasurer's Office then prints and mails them. Customers send invoice payments and the related remittance to the Treasurer's Office; payments are then electronically coded to the invoice identified in the remittance that is sent with the payment. Payments sent without a remittance must be manually entered into the Billing Module by Treasurer's staff. The billing departments (e.g. Port) occasionally need to void or correct an invoice, and manually entered payments (remittance not sent by customer) are sometimes miscoded to the wrong invoice.

Recommendation 10: Instruct customers to include remittance with each invoice payment

As noted above, customer payments are electronically coded to the invoice or invoices identified with the remittance sent with the payment. If a remittance is not sent with an invoice payment, the payment must be manually entered by Treasurer's staff, and errors may be made when payments are entered manually. Port should inform customers that manual coding errors will be avoided if the customer includes the remittance with the invoice payment.

Each year, General Accounting in the Comptroller's Office prepares a schedule of Miscellaneous Accounts Receivable Activity, which identifies year-end receivables balances for each department and division that uses the Billing Module. Information for this reconciliation comes

from a variety of sources, including the Billing Module. Necessary adjustments include both data-entry errors in the module and unpaid invoices billed before the module was implemented. For example, Port's receivable balance of $956,616 at December 31, 2010 included $15,172 from invoices prepared between 2001 and 2005, and $12,376 from invoices prepared before 2001. Invoices prepared before 2006 are not in the FMIS Billing Module.

Recommendation 11: Delinquent invoices billed before 2006 should be written off or sent to collection agency

It is highly unlikely that invoices billed six or more years ago continue to be collectable. Old invoices should be sent to the City's collection agency if there is a remote possibility of collection. Invoices deemed to be uncollectible should be written off.

Internal controls that the City has established for the Billing Module include separation of duties designed to safeguard invoices sent and payments received. For any error in the Billing Module, the department or division identifying the error (e.g. Port) must complete a paper request that describes the error and the required correction. This paper request must be reviewed and approved (signed and dated) by an authorized representative from the Offices of the City Attorney and Comptroller. After the requested correction is properly authorized, General Accounting in the Comptroller's Office enters the correction into the Billing Module.

When this audit reviewed an aging report from the Billing Module, several Port customers had old credits (120 days old or more), with more recent invoices for the same amounts listed as unpaid. This supports statements made by both Port and Comptroller's General Accounting staff that the FMIS Billing Module does not provide an accurate or complete schedule of unpaid invoices.

Because some information in the Billing Module needs to be corrected and the module does not capture invoices prepared before 2006, Port's Finance Officer does not rely on reports from the module to monitor invoices. Instead, information from each Port invoice and related payment is entered manually into an electronic spreadsheet. Invoice corrections and adjustments are also noted in the manual spreadsheet.

Recommendation 12: Correct data related errors in Billing Module and use reporting tools

Data related errors in the FMIS Billing Module should be corrected. The Comptroller's Office and the City Attorney's Office should work with individual departments to correct and update the Billing Module. Port may be willing to be one of the first areas in the City to fully implement the Billing Module, but City staff from the Comptroller's and the City Attorney's Offices will need to work closely with the Port's Finance Officer for this to happen.

Once Port records in the Billing Module are corrected, Port's Finance Officer should develop a working understanding of the management reports and tools that are available in the Billing Module. Port then would rely on accounts receivable reports that the module generates rather than relying on reports now manually prepared and updated. An aging report from the Billing Module should then be presented to the Board of Harbor Commissioners for their review, rather than the manually prepared schedule of unpaid invoices now provided.

City plans to implement FMIS delinquency charge feature

Representatives from the Comptroller's Office, Treasurer's Office, Information and Technology Management Division of the Department of Administration, and Department of Public Works plan to develop procedures to implement the FMIS delinquency charge feature. One of the necessary steps will be for Common Council to establish a standard City-wide rate for delinquency charges.

Recommendation 13: Use FMIS delinquency feature when implemented

When Common Council establishes a City-wide delinquency rate, Port should amend the Tariff to reflect the standard delinquency rate if it is different from Port's current rate. With the same rate, the FMIS Billing Module would then automatically add these charges to unpaid delinquent invoices.

THE PORT OF MILWAUKEE

March 19, 2012

Re: Acctg./Audit 2011

Ms. Linda Moore
Auditing Specialist
Comptroller's Office
401 – City Hall

Re: Audit of Port of Milwaukee Billings February 2012

Dear Ms. Moore:

We are in receipt of your final draft of the Audit Report and request that the Port provide responses to your recommendations. Our response follows:

Response to 2012 Audit Recommendations
From Hattie Billingsley, Port Finance Officer
3/5/2012

Recommendation 1: Reconcile recreational revenues received by receptionist to deposits.

The Port Finance Officer believes that reconciling non-invoiced revenues is being done. For recreational revenues the Port will purchase preprinted numbered cash receipt documents to improve internal control procedures for accounting for miscellaneous non-invoiced receipts. The Port will reconcile every 6 months total receipts against deposits.

Recommendation 2: Each month, reconcile self-reported weights from a sample tenant to independent documentation.

After discussions with the auditors, we began implementing collection of independent documentation last year and tenants do currently submit manifests or bills of lading as backup. For the 1 or 2 tenants who report tonnage based on trucker bills, which results in voluminous reporting papers, periodic audits may be justified.

Recommendation 3: Continue to collect delinquent invoices.

We agree, and this collection process is now ongoing.

Recommendation 4: "Reconcile quarterly railroad car counts with annual counts from railroad companies."

A CITY OF MILWAUKEE OPERATION FAX 414-286-8506
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In past years getting up to date rail car counts from the railroads was a time consuming and frustrating process. We believe that now getting car counts from the Port tenants has reasonably addressed the issue. In the future the Port will attempt to get annual or quarterly counts from the railroads.

Recommendation 5: Revise Port Tariff to document application of winter mooring rates.

This has been done starting with the newly revised 2012 Port Tariff.

Recommendation 6: Review FMIS Fixed Asset Schedule yearly.

The Port does review the FMIS fixed asset schedule annually to update. If the Comptroller desires, the fixed asset schedule can be presented to the Harbor Commissioners on an annual basis. Following completion of the annual update by the Comptroller's office, Port staff will review for accuracy and completeness of the changes.

Recommendation 7: Conduct physical inventory of fixed assets as required.

A physical inventory was last done by the Port in 2008/2009 with an independent contractor of the City. We can incorporate this in the future for assets purchased with Federal funds.

Recommendation 8: Port Leases Should Be Monitored

The Port intends to create an Access spreadsheet of all terms and conditions of each lease for use by department managers.

Recommendation 9: Port manager should review invoices.

We agree that the Port should institute an electronic file record of all billings, possibly organized by tenant or customer, and by date of billing. All managers can then have access to this record file and be able to look up any bill for any reason that there could be a need for, i.e. to check that a bill went out, confirm a rate, cargo tonnage amount, etc. With convenient access to this information, any manager could review an invoice without interrupting the finance staff. After discussion with the auditors, we believe their office may be of assistance in creating this Excel file download database.

Recommendation 10: Instruct customers to include remittance with each invoice payment.

Each City invoice clearly states ***DETACH HERE AND RETURN BOTTOM COUPON WITH YOUR PAYMENT IN THE ENVELOPE PROVIDED***. It is important to include the coupon with each remittance. We will remind customers to do that.

Recommendation 11: Delinquent invoices billed before 2006 should be written off or sent to collection agency.

Agree, the approximate $27,500 pre-FMIS uncollected accounts should be written off.

Recommendation 12: Update billing module and use reporting tools.

The Port can work with the Comptroller and City Attorney's offices in updating records in the billing module and correct data in the software.

Recommendation 13: Use FMIS delinquency feature when implemented.

Agree, once procedures are in place to assure that delinquency feature is activated only if late fee is duly warranted.

Sincerely,

Eric C. Reinelt

ERIC C. REINELT (dcl)
Municipal Port Director

ECR/dcl

cc: Eric Reinelt, Port Director
Hattie Billingsley, Port Finance Officer

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