

# Accounting for and Billing of Reimbursable Projects Audit Report



Office of the  
General Auditor

Audit & Ethics Committee  
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# Accounting for and Billing of Reimbursable Projects Audit Report



## *What is a “Reimbursable Project”?*

- Contract relationship between Metropolitan and member agency or other outside party.
- **Metropolitan provides a product or service.**
- Member agency or other outside party pays a portion or all of the costs.

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## *Number of Active Reimbursable Projects (as of 9/30/16):*

- **Accumulating Costs and then Periodic Billing**
  - **63 Projects** **\$4.2 million**
- **Requiring advance deposits**
  - **46 Projects** **(\$5.3 million)**
- **Active projects with zero balances**
  - **47 Projects** **\$ 0**
- **Total Projects**
  - **156 Projects** **(\$1.1 million)**

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## Audit Scope:

- Evaluated internal controls over project authorization, billing, collection, and closeout
- **Tested compliance with terms and conditions of agreements with member agencies and outside parties; and grant agreements with federal and state agencies**
- Performed analytical reviews of billed and reimbursed amounts, grants and advance deposits received, and subsequent collections and payments
- **Reviewed management reports**

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## Accounting and Billing Process:

- Project Manager monitors project costs
- **Project Manager submits invoice requests**
- A/R Team prepares and sends invoices
- **Contracting party remits payment**
- Treasurer's Office receives remittance
- **A/R Team records collection**

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**Results: “Less than Satisfactory opinion”**

**(1) Unbilled Charges of \$228,858**

**a. Unbilled and uncollectible charges (7 projects) - \$168,894**

- Reimbursable charges have never been invoiced for various projects (underground permit/monitoring/reporting, property damage, feeder relocation, railroad lowering, meter installation, service connection) .
- **This amount cannot be collected because it has passed the statute of limitation of 4 years.**

# Accounting for and Billing of Reimbursable Projects Audit Report



## **b. Unbilled charges (1 project) - \$53,964**

- Leasee's one-half share of Western Center's utility costs.

## **(2) Advance Receipts of \$278,943**

- Excess deposits due to Department of Water Resources for Coachella Canal Lining (\$159,868) and San Diego County Authority for conceptual design of Service Connection SD-07 (\$46,059).

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- **Outstanding since June 2001 and August 2005, respectively.**
- **Advance deposit on a 1992 Strategic Assessment Study (\$73,016).**
  - **Outstanding since June 1998.**



# Accounting for and Billing of Reimbursable Projects Audit Report



## **(3) Unreconciled Advance Deposits and Reimbursable Expenses (\$897,809)**

- a. Unreconciled advance deposits (2 projects) - \$803,008**
  - **Unreconciled rebates paid by Metropolitan on behalf of member agencies under the Long Term Commercial Industrial-Institutional Program (\$675,497).**
  - **Unreconciled deposit/project costs for Multi Species Reserve (\$127,512).**

# Accounting for and Billing of Reimbursable Projects Audit Report



## **b. Unreconciled Reimbursable Expenses (3 projects) - \$94,801**

- Unreconciled project costs for Western Center facilities (\$53,954) and Lake Matthews Reserve (\$38,847).
- Unreconciled emergency cash fund (\$2,000).

## **(4) Recording Errors of \$455,240**

- Relocation costs for Middle Feeder Pipeline (\$250,000).
- Metropolitan's annual funding to Multi Species Reserve Fund (\$200,000).
- Corresponding costs for insurance settlements (\$5,240).

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## (5) Missing and Unapproved Project Authorization and Closeout forms

- Missing project authorization for projects Permanent Cash Advance and Service Connection LA 36.
- **Missing closeout form for project Service Connection LA-100T.**
- Unapproved project authorization form for project DWR Buena Vista Pump Bearing.

## (6) Policies and Procedures

- Operating Policy C-01, Risk Management procedures, and Emergency Cash Fund procedures not updated.

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## **(7) Completed Projects Remained Open in PAGM System (610 Projects)**

- Various groups; all projects subsequently closed in PAGM System.

## **(8) Prior Audit Recommendations – Write-off of Uncollectible Charges - \$961,766**

- Staff could not identify responsible parties that caused damage to Metropolitan properties (2 projects - \$843,498)
- Metropolitan failed to submit claims to state agency for installation and closure of underground tanks (2 projects - \$118,268).

# Questions

