

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON POLICE DEPARTMENT  
AUDIT OF ALARM FEES  
FOR THE PERIOD OF JULY 1, 1997  
THROUGH JUNE 30, 1998**

**Sylvia R. Garcia, City Controller**

**Judy Gray Johnson, Chief Deputy City Controller**

**Steve Schoonover, City Auditor**

**Report No. 99-18**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

SYLVIA R. GARCIA

March 2, 2000

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

SUBJECT: Police Department  
Audit of Alarm Fees (Report No. 99-18)

Dear Mayor Brown:

The City Controller's Office Audit Division has completed an Audit of Alarm Fees at the Police Department for the period of July 1, 1997 through June 30, 1998. The objective of this audit was to determine whether controls are adequate to account for and safeguard cash and revenues from the sale of alarm permits. Also, we performed limited testing for compliance with EDS Federal Corporation's (EDS) agreement with the City of Houston to provide an alarm billing system and cash collection services.

Based on the results of our audit, the auditors concluded that internal controls over cash handling are not adequate to provide management with reasonable assurance that cash and permit revenues are properly accounted for and safeguarded. Draft copies of the report were provided to department officials. The findings and recommendations are presented in the body of the report and the views of responsible officials as to actions being taken are appended to the report as Exhibit I.

We commend the department for taking immediate action on the recommendations identified in the report. Also, we appreciate the cooperation extended to our auditors by Department and EDS personnel during the course of the audit.

Respectfully submitted,

Sylvia R. Garcia  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Cheryl Dotson, Chief of Staff, Mayor's Office  
C.O. Bradford, Chief of Police  
Sara Culbreth, Acting Director, Finance and Administration

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## EXECUTIVE SUMMARY

- Based on our testing, we estimate the City has overpaid the Contractor (EDS) approximately \$15,700 for contingency fee payments over a period of four years.
- Thirty percent (30%) of deposits for FY98 were not made in a timely basis resulting in loss revenues for the City.
- Internal controls are not adequate to provide reasonable assurance that cash is properly accounted for and safeguarded, which may result in misappropriations of funds.
- Approximately eleven percent (11%) of payments received are removed for lack of an application or other problems. The volume of checks removed may result in loss payments and delays in payment processing.
- HPD Alarm Detail and EDS are not adequately monitoring payment and permit processing to ensure that payments and permits are processed accurately, timely, and in compliance with the City Ordinance.
- The Alarm Billing and Tracking (ABT) system allows payment transactions to be reversed without canceling the related alarm permits. This creates the opportunity for misstating and misappropriating permit revenues.

## **SCOPE AND PURPOSE**

We have completed an audit of the cash handling process and controls related to alarm fees at the Houston Police Department (HPD) for the period of July 1, 1997 through June 30, 1998. The audit areas included the Alarm Detail and Budget and Finance Divisions of the Police Department. The audit also covered services provided by EDS Federal Corporation (EDS) under an agreement between the City and EDS to provide the City with an alarm billing system and cash collection services. The audit objective was to determine if controls are adequate to account for and safeguard cash and revenues received from the sale of alarm permits. In addition, we did limited testing for compliance with the EDS contract and City Ordinance Chapter 11, Article III, Sections 32 through 56.

The scope of our work did not constitute an evaluation of the overall internal control structure of the Divisions. Our examination was designed to evaluate and test compliance with procedures and internal controls related to alarm fees. This was a financial related audit executed in accordance with generally accepted governmental auditing standards.

Division management is responsible for establishing and maintaining a system of internal controls to adequately manage cash as an integral part of the Division's overall internal control structure. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

## CONCLUSION

Based on the results of our audit, we conclude that internal controls over cash handling are not adequate to provide management with reasonable assurance that cash and permit revenues are properly accounted for and safeguarded.

In addition, system weaknesses were identified in EDS's Automated Billing and Tracking System (ABT), which create the opportunity for misstating and misappropriating permit revenues.

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Rudy Garcia  
Audit Manager

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Camille Jones  
Auditor-in-Charge

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Steve Schoonover  
City Auditor

## INTRODUCTION

City Ordinance Chapter 11, Article III, Sections 32 through 56, requires that residences and businesses within the City must have an alarm permit to legally operate an alarm system. The Houston Police Department (HPD) Alarm Detail Division is responsible for ensuring that residences and businesses that operate an alarm system are in compliance with the Ordinance. The City issues a \$10 residential permit and a \$35 non-residential permit. All permits must be renewed annually.

HPD officers responded to approximately 103,000 alarms during FY98, of which approximately 100,000 were for false alarms. Permit holders are allowed five free false burglar alarm police responses and one free false panic alarm police response during a twelve month period. Thereafter, the City assesses a \$50 burglar alarm response fee and \$160 panic alarm response fee for false alarm police responses. In FY 98 HPD received \$30.1 million in total revenue, \$3.6 million (12%) of these revenues were from burglar and panic permit fees and fines.

In January 1994, the City entered into a five-year \$3.7 million contract with EDS Federal Corporation (EDS) to provide HPD with the Alarm Billing and Tracking System (ABT) and cash processing/collection services. The original term of the contract expired in January 1999. However, the contract automatically renewed for the first of two (2) successive one-year terms.

In addition to their monthly fee, EDS receives a 25% contingency fee for false alarm fine payments received on accounts that are one hundred twenty (120) days past due from the date the invoice was mailed.

HPD is the Project Administrator for the contract with EDS. EDS was contracted to perform mail/notice service; receivable management services; payment handling; and past due collections. HPD personnel originate new permits at 1200 Travis and EDS personnel process payments for permit fees and fines at 6671 Southwest Freeway. EDS also issues the permits. EDS provides an in-house courier to transport information and payments between the two locations.

## AUDIT FINDINGS AND RECOMMENDATIONS

### I. CONTINGENCY PAYMENTS

#### BACKGROUND

Under the terms of the Contract between the City of Houston and EDS, EDS is to "receive a fee equal to 25% of the Net Amount the contractor collects from Past Due Accounts ("the Contingent Fee") for providing Collection Services to the City."

Accounts are considered past due if payment has not been received within one hundred twenty (120) days of the date of the notice. Notices for past due accounts are issued for accounts with false alarm fines outstanding.

While an alarm permit is required for all locations with a burglar and/or panic alarm system installed and active, if the permit fee is not paid within ten (10) City working days then the permit will expire and the fee is not due. The reinstatement fee is charged whenever a permit is revoked for 1) for non-payment of a false alarm fine or, 2) excessive false alarm calls. If the customer pays the fines but not the reinstatement fee the permit will remain revoked, however the outstanding reinstatement fee will not be classified as a collection item.

#### FINDING

EDS is including permit renewal and reinstatement fees, along with past due amounts collected, in their contingency fee invoice submitted to HPD's Budget and Finance Division (B&F). Based on our testing of EDS contingency fee invoices for the months of July 1997 and February 1998, we estimate that approximately 7.3 percent of contingency fees paid have been for amounts related to renewal and reinstatement permits. The past due collection amount EDS has reported from the inception of the contract to the invoice dated June 1, 1998 is \$859,208. Applying the 7.3 percent average to this amount we estimate the City has overpaid EDS approximately \$15,700 over the contract term.

#### RECOMMENDATION

HPD should review all contingent fee invoices submitted and determine the amount overpaid to EDS. Reimbursement for all amounts overpaid should be pursued. We also recommend HPD review all contingency fee invoices in detail before payment is made to EDS.



## **II. DEPOSITS**

### **BACKGROUND**

EDS deposits monies they receive for all alarm fines and fees. A deposit packet is prepared at the end of each workday and the deposit is made either that day or the following day. If a deposit does not match the posting reports from the ABT system then the deposit is held until the problem is resolved. Additionally, EDS removes payments from batches, for reasons such as the permit had expired or the account did not have an outstanding balance, and withhold the payments from the related deposit.

### **FINDING**

During our testing we noted that approximately 30% of the deposits, totaling about \$1,085,000 were not made timely. We identified about \$320,000 (9%) of these deposits that were held for three to six working days. One deposit totaling \$10,330 was held for 16 working days.

In addition to the deposits noted above, our testing also revealed other instances where EDS did not deposit payments, which were removed from the batches, timely. We found 31 of 158 payments that were held from five to 31 working days before being deposited. EDS personnel were not able to provide an explanation for the delays for 17 of these payments.

### **RECOMMENDATION**

We recommend HPD require EDS to prepare a daily reconciliation between the payments received and the ABT reports showing posted payments, resolve any differences and make daily deposits. EDS should document any problems encountered and attach the documents to the deposit packet that are kept by EDS for future reference.

## **III. CHECKS - PAYMENTS**

### **BACKGROUND**

The City's Cash Handling Policy and Procedures, A.P. 2-17 states that checks are to be restrictively endorsed when received and that cash and deposit tickets are to be placed in a locked or sealed moneybag and stored in a secured area until they are picked up by the armored courier.

**FINDING**

The HPD Alarm Detail Division is not in compliance with the City's Cash Handling Policy and Procedures, A.P. 2-17 Section 4 B IV and VII d. Specifically, HPD Alarm Detail is not restrictively endorsing checks upon receipt, securing checks overnight nor securing payments and applications sent to EDS in locked moneybags. Additionally, during our fieldwork we noted that HPD discontinued logging in payments received.

**RECOMMENDATION**

The HPD Alarm Detail Division should comply with the City's Cash Handling Policy and Procedures, A.P. 2-17 and restrictively endorse payments, secure payments overnight in a safe or other device that can be locked and secure payments and applications sent to EDS in locked moneybags. Additionally, HPD should reinstate logging in payments upon receipt.

**IV. EDS – SEGREGATION OF DUTIES**

**BACKGROUND**

EDS receives and posts payments for permit renewals, reinstatements, and fines. EDS also posts payments for new permit applications forwarded by HPD Alarm Detail.

Each morning EDS's courier collects the mail from both EDS and HPD's post office boxes. The courier first delivers EDS's mail and then picks up the ABT tape and the completed deposit packets from EDS. HPD's mail, the ABT tape and the completed deposit packets are then delivered to the Alarm Detail Division. The courier then picks up the permit applications and payments, processed by Alarm Detail, along with renewal, reinstatement or fine payments that were received by the Division and delivers them to EDS.

The mail received by EDS data entry personnel is separated into groups and batched by amount and application. The groups of payments are then distributed between three data entry personnel. One of the data entry personnel is the EDS courier and one is the person that opened and separated the mail. The data entry personnel then batch the payments and initial the batch that they have created.

**FINDING**

Permit processing duties are not adequately segregated at EDS. The person that picks up mail for EDS, also picks up the payments and applications from HPD, and posts payments into the ABT system. In

addition, the EDS personnel that open the mail also post payments into the ABT system.

**RECOMMENDATION**

We recommend HPD require EDS to segregate the custodian and recording duties over permit and fine payments.

**V. RECONCILING RECEIPTS**

**Background**

The HPD Alarm Detail Division initiates new burglar and panic alarm permits. The Division receives applications and permit fees from customers in person or by mail. Division personnel open the mail each morning and date stamp the applications. The check(s) and/or money order(s) received are then stapled to the application. Payment information is entered into the ABT system receipt log. The applications and payments are then placed in a tray inside the enclosed work area. The following day a data entry person separates and distributes the applications and payments among himself and other data entry personnel. A. P. 2-17 states "During the daily close-out, the mail-in payments processed will be reconciled to the daily mail-in payment log by the Supervisor." Any payments received that do not appear on the batch logs processed by individual data entry personnel should be tracked and their final disposition documented both on the receipt log and if applicable, in the permit narrative screen in the ABT system. This would include payments where customers questioned the invoice(s) and are mailed to a specific officer's attention for special handling. These checks are not entered into the ABT receipt log.

**FINDING**

The HPD Alarm Detail Division personnel do not reconcile the receipt logs summary totals with the batch log totals. Additionally, a log of payments sent directly to the officers for special handling is not maintained. Failure to adequately monitor payments received and forwarded to other sections may result in loss revenues.

**RECOMMENDATION**

We recommend that Alarm Detail personnel comply with A. P. 2-17 whereby the Supervisor reconciles the payments processed to the daily mail-in payment log. This includes the payments that are separated from the daily mail received and sent to officers for special handling.

## **VI. REVENUE RECONCILIATION – ADVANTAGE 2000 & THE ABT SYSTEM**

### **BACKGROUND**

Each day B&F receives a deposit packet from EDS. The deposit packet consist of a copy of the deposit slip, the Advantage 2000 (Advantage), journal entry (formerly known as FMS), the bank validated deposit slip, the revenue summary of payment batches identifying daily deposits, a copy of the HPD's Alarm Detail batch log and copies of the checks deposited. B&F verifies that the journal entries match the deposits. B&F also verifies that the original batch log, forwarded by Alarm Detail to B&F, agrees to EDS's batch log copy and follow up on any discrepancies. B&F processes the Advantage journal entries each week. There are several items, such as refunds and contingency payments that are recorded in Advantage that do not appear in the ABT system and visa versa.

### **FINDING**

B&F is not reconciling permit revenues recorded in the Advantage system to revenues collected and reported in the ABT system by EDS. As a result, errors, untimely deposits and open batches are going undetected. We noted ten payment batches that were opened during the three month period tested. Payments for opened batches are not deposited until the batches are closed. This results in untimely deposits. Additionally, our testing revealed a deposit included in EDS's deposit packets, but omitted from the Advantage system. A procedure for balancing the two systems would have identified these differences.

### **RECOMMENDATION**

We recommend that B&F reconcile revenue reported in the City's Advantage system to the revenue reported in EDS's ABT system. Any differences and errors identified must be researched and corrective action taken. This will require that EDS provide B&F a report listing all open batches at the end of the month to use with the revenue/deposit summaries to reconcile.

## **VII. HPD PAYMENT REVIEW PROCESS**

### **BACKGROUND**

The HPD Alarm Detail Division processes the new alarm permit applications. The payments received are reviewed to insure that the payment amount is correct; the payment is made payable to the City of Houston; the payment is signed; and the numerical amount and written amount match. HPD then verifies that the applicant does not

have an existing permit or outstanding fines. If all information appears proper, then the data entry personnel create a new permit. The payments are then recorded into batch logs and the payments and payment batch logs are forwarded to EDS for posting.

A. P. 2-17 requires that only checks made payable to the "City of Houston" be accepted as payments.

#### **FINDING**

The HPD Alarm Detail Division is not adequately reviewing, identifying and removing problem payments, such as checks not payable to the City and checks not signed. We noted fifteen payments, totaling \$11,540, which contained problems that should have been discovered and addressed by HPD. These payments were forwarded to EDS for processing and ultimately flagged by EDS as problems and removed from the batches and held from the deposits.

#### **RECOMMENDATION**

The HPD Alarm Detail Division should comply with A. P. 2-17, and accept and process only payments that are made payable to the "City of Houston." Checks not made payable to the City of Houston or containing other problems, should be removed and returned to the customer with a return receipt requested. The disposition of such checks should be recorded in the Division's receipt log.

### **VIII. PAYMENTS REMOVED AND RETURNED TO CUSTOMERS**

#### **BACKGROUND**

EDS receives and posts payments for permit renewals, reinstatements, and fines. EDS first records the payments into a batch log and reviews the payment information for accuracy. Payments are removed from the batch if an application is not submitted with the payment; checks are not made payable to the City; a permit has outstanding fines and the payment does not cover the entire balance outstanding. Most removed payments are related to false alarm responses that resulted in the identification of alarm users without permits. EDS invoices these users a fine for the false call response and for a permit fee. An application is sent with the first invoice notice. EDS may have to send second and third invoices, but these mailings do not include additional applications. In several instances customers submitted payments for the permit fee and fines, but did not submit an application. These payments were removed and returned to the customers.

Permits that expire and are not renewed within ten days require a new application. When a customer sends in the renewal invoice late the payment is removed and returned to the customer with an application for a new permit.

#### **FINDING**

Our analysis of three months of payments showed that approximately \$108,000 (11%) were removed from the batches and returned to the customers. Approximately 41% of these payments, or \$44,610, were related to permit alarm violators paying for a permit and a fine without submitting an application. About \$14,000 (13%) were due to permits which had been expired longer than 10 days and required new applications. The remaining 46% of payments removed and returned were due to checks not payable to the City of Houston, checks not signed, revoked permits and payments submitted for less than the fines outstanding. The high rate of payments removed may result in loss payments and delays in payment processing.

We identified 20 checks that were held from 7 to 30 days before being returned to customers. All checks removed from the batches are forwarded to the Office Manager for research, resulting in EDS not mailing the payments back to the customers timely.

#### **RECOMMENDATION**

We recommend that HPD require EDS to reorganize their staff to provide more assistance to the Office Manager or consider the cost/benefit of adding additional personnel.

### **IX. PERMIT PROCESSING**

#### **BACKGROUND**

City Ordinance Chapter 11 Section 33(a), requires that residences and businesses within the City must have alarm permits to legally operate an alarm system. The fee for a new permit issued for nonresidential premises is thirty-five dollars (\$35) and for residential ten dollars (\$10). HPD's Alarm Detail personnel process all applications for new alarm permits. The applications are received in Alarm Detail by mail, through walk-ins, fax, or from EDS. The applications are processed the day after they are received. Data entry personnel verify that the application is complete, the information on the check is accurate, and that the applicant does not have outstanding false alarm fines under another permit. Once the information is verified, the application and payment are sent to EDS the next day to be posted into the ABT system. If an application is not

complete or the check information is inaccurate, the permit is created with a denied status and the application and payment are returned to the customer. In December 1997, HPD initiated a new program in granting alarm permits to their customers. Instead of issuing a separate permit for burglar alarms and panic alarms, they began issuing one permit number for both types of permits. They coined the term "Combo or Combo'd permits." By creating "Combo permits" HPD decreased the possibility that a customer might be invoiced at two different times during the year for each of their permits.

Some permits are created by false alarms. If a false alarm is uploaded from HPD's CAD tape to the ABT system and there is no permit that is in the status of active, revoked, no response, or collection, then a new permit number will be created for this new address. These permits are created with the status of "Temp," temporary. If there is an existing burglar permit for an address that recently had a false panic alarm or vice versa the ABT system will not combine the two, but will create a new permit.

New permits are also created when a previous permit expires and is not renewed within ten (10) city working days from the date of expiration. City Ordinance Chapter 11 Section 36 states that a customer has ten (10) City working days after the date a permit expires to pay the renewal fee before being required to re-apply.

The ABT system provides a narrative screen that allows documenting information such as customer correspondence or reasons for denying a permit application. This information can be accessed by both Alarm Detail and EDS thus enhancing communication between Alarm Detail and EDS personnel who are located at different sites.

**FINDING – PERMIT  
PROCESSING**

The HPD Alarm Detail Division and EDS are not adequately monitoring payment and permit processing to ensure that they are processed accurately, timely and in compliance with the ordinance. Specifically our testing revealed the following:

- Ten instances in which temporary permits with fines outstanding for over 120 days were not placed into collection status.
- Seven instances in which a site had two permits of the same type active, i.e. two burglar permits or two panic permits.
- Six instances in which permits were reactivated after being expired for over ten (10) days.

- Five instances where customers reapplied for permits even though renewal payments were made within ten (10) City working days after the permit expired.

**RECOMMENDATION**

The HPD Alarm Detail Division and EDS should comply with the City Ordinance Chapter 11 and with control procedures outlined in the Contract and if necessary develop additional procedures to adequately monitor payments and permits processed.

**FINDING – NARRATIVE  
SCREEN**

The HPD Alarm Detail Division and EDS personnel are not adequately utilizing the narrative screen of the ABT System to document problems or provide comments and explanations addressing permit issues or concerns. One staff member routinely cleared his remarks from the system once a problem was corrected. Failure to document and maintain historical information on problems encountered and resolved weakens internal control and management review.

**RECOMMENDATION**

HPD needs to revise their standard operating procedures (SOP) to include steps requiring staff members to document problems and provide comments and explanations addressing permit issues or concerns on the ABT narrative screen. HPD should require EDS to develop in-house procedures accordingly.

**FINDING - WRITTEN  
PROCEDURES**

The HPD Alarm Detail Division and EDS have not incorporated additional steps for issuing permit block sales, combo permits, and the criteria for issuing credit memos into their operating procedures. Procedures are essential for evaluating employee performance and serve as a guide for training new staff. Written procedures document the steps that employees should follow while performing their assigned duties and document internal controls.



**RECOMMENDATION**

We recommend that HPD and EDS incorporate additional steps for issuing permit block sales, combo permits, and the criteria for issuing credit memos into their existing operating procedures.

**X. PERMIT RENEWALS**

**BACKGROUND**

According to the City Ordinance Chapter 11 Section 36 alarm permits must be renewed annually. The City is required to invoice the permit holders at least thirty days prior to the expiration date.

In December 1997, HPD initiated a new program in granting alarm permits to their customers. Instead of issuing a separate permit for burglar alarms and panic alarms, they began issuing one permit number for both types of permits. They coined the term "Combo or Combo'd permits."

**FINDING**

We found five instances in which existing active permits were upgraded to combos. The combo permits' effective time period overlapped with the existing permits. The system automatically billed for two more permits when the existing permits expired, which the customers paid.

**RECOMMENDATION**

We recommend that HPD Alarm Detail and EDS research any permits that are referred for combo to determine that existing permits are canceled and fee(s) appropriately prorated. An entirely new permit should then be created as the new combo permit. We also recommend that the ABT system be modified to edit for existing active permits when processing renewals.

**XI. PERMIT REVOCATIONS**

**BACKGROUND**

According to Chapter 11 Section 55(b) of the Ordinance, a customer whose permit is revoked twice during a twelve month period must wait one (1) year from the date of the second revocation before applying for a new permit for the site. If a permit is revoked the customer may request in writing, a reinstatement hearing. "The request must be received by Alarm Detail within ten (10) City working days of the date of issuance of the notice of revocation." If the hearing officer finds in

favor of the permit holder their permit may be reinstated and the fees will be adjusted.

**FINDING**

The ABT system does not recognize the difference between a first revocation and a second revocation. The ABT system will automatically issue renewal invoices based on the permit effective date, disregarding the number of revocations.

**RECOMMENDATION**

To ensure that renewals are issued in accordance with the ordinance, we recommend that HPD request EDS to modify the ABT system, if cost effective, to recognize the number of revocations a permit has accrued during a twelve-month period. In cases where a reinstatement hearing is held and the permit is reinstated, HPD Alarm Detail should reset the system revocation count according to the Hearing Officer's recommendation. Additionally, the ABT system should be tested to ensure invoices for all reinstatements are generated reflecting the proper reinstatement fee.

**XII. ALARM BILLING AND TRACKING SYSTEM**

**Background**

EDS was contracted to provide a billing system and to manage and process permit payments. EDS provided the ABT system that operates in a batch mode. Payments for new permits are mailed to, logged and batched by HPD's Alarm Detail Division. The payments and payment batch printouts are forwarded daily to EDS. Then EDS re-enters the payment information and posts the payments in the ABT system and deposits the payments. Payments for renewals, reinstatements and fines are mailed to, logged and batched by EDS. EDS forwards daily batches and monthly revenue summaries to HPD's B & F Division. Personnel at B & F do not have access to the ABT system. EDS removes payments, cancels permits and reverses payment batches out of the ABT system as needed. If a permit is cancelled, the ABT system requires that each permit be adjusted manually and changed from an active status to a history status.

**FINDING – BATCH  
REVERSALS**

Reversing a payment batch from the ABT system does not automatically change the permits from an active status to a history

status in the system. The permits remain in the system under an inactive status, and can easily be activated. On January 30, 1998, a batch of 50 permits was reversed, however, HPD personnel activated twenty-two (22) of the permits ten (10) months later.

As of March 16, 1999, we found no evidence to support that EDS received payment from the security company justifying activation of the permits.

The ability to reverse payments without automatically updating the statuses of the related permits greatly enhances the opportunity for misappropriation of funds. Additionally, the person who reverses payments, also post payments, issues credit memos and has access to the deposits.

**RECOMMENDATION**

We recommend HPD require EDS to modify the ABT system so that when a batch is reversed the system automatically changes the permits from an active status to a history status. This will prevent personnel from activating the corresponding permits.

We also recommend that the responsibility for reversing payments, issuing credit memos and access to the deposits be segregated.

**FINDING – RECORD  
RETENTION**

The daily receipt logs and daily batch processing logs created in the ABT system are not saved to a permanent file. Once the data entry personnel log off the system the logs are erased from the system. If the log printouts are lost, there is no other record available.

**RECOMMENDATION**

To prevent loss of permanent records and to provide payment and application received history, we recommend HPD require EDS to modify the ABT system to save receipt logs and batch logs to a permanent file.