

Damage Recovery Billing Process



Objectives

To assess the effectiveness and efficiency of the Damage Recovery Billing process to ensure the City is recovering labor and material costs to repair damages to City assets.

Background

The City of Sioux Falls, as a self-insured entity, seeks reimbursement for property damage losses from third parties (the individual who caused the damage or the individual's insurance company). Recovery of losses (expenditures to repair/replace including materials and labor) directly impacts City revenue and expense budgets.

The pursuit of recovery against third parties responsible for damaging City assets is a decentralized process, not specifically part of the City's self-insurance program under Risk Management. The Finance Department is responsible for the Billing for Damages to City Property Policy as well as the write-off process for outstanding damage billing invoices deemed uncollectible. The City Attorney's Office is responsible for pursuing damage billing claims in small claims court when appropriate.

Departments incur the expense to repair/replace damaged property/assets. Property damage recovery claims are typically the result of a vehicle accident resulting in damage to a street light, stop sign, fire hydrant, electric box, electric pole, etc. In 2020, \$217,806 were billed for damages to City property and \$159,376 was collected in revenue from those same types of claims. This audit reviewed the twelve-month period of January 1, 2020 through December 31, 2020.

What We Found

Finding 1: Materials invoiced with an overhead charge in one City department

Finding 2: Estimated labor rates utilized for invoicing in one City Department

Finding 3: Billing for damages to City property claims procedures not formally documented

What We Recommend

Recommendation 1: We recommend each department responsible for processing damage recovery claims establish a formalized Administrative Procedure for Property Damage Recovery claims specific to the software utilized. This procedure should detail record keeping requirements, establish a point of contact with each department, and detail roles and responsibilities for implementing the requirements of the Billing for Damages to City Property. We also recommend Finance play an active role in the development of these procedures to ensure they align with the Billing for Damages to City Property Policy and maintain oversight responsibility for ensuring the procedures are created and implemented.

Recommendation 2: We recommend Finance establish a monitoring program to ensure department procedures are in place and appropriately implement the Billing for Damages to City Property Policy. This should include periodic checks on damage recovery invoices, collections and write-offs.

Recommendation 3: We recommend all department procedures for damage billing require supporting documentation be stored electronically in the software available to the department. We also recommend the procedures require that the work order number be noted somewhere with the invoice in Munis to ensure supporting documentation can be located and substantiated.

Opportunities for Improvement

- We recommend a formalized procedure to aid the departments in decision-making, including exactly when a write-off should be initiated, including dollar amount thresholds, timing and under what circumstances it is appropriate, considering that collections agency invoices and invoices pursued in small claims court have different specific circumstances. We recommend Finance update the credit card signature section of the Billing, Cash Receipts, and Collections Policy to define the thresholds for requiring signed receipts.
- We recommend utilizing VueWorks work order management capabilities as they are implemented in each department by integrating the work order management processes into the damage recovery billing processes for maximum efficiency.