

**REVENUE & FINANCE
UTILITY ACCOUNTING DIVISION
AUDIT 09-02
SEPTEMBER 28, 2009**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

September 28, 2009

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: UTILITY ACCOUNTING DIVISION, AUDIT 09-02

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the Utility Accounting Division, Audit 09-02.

The Utility Accounting Division, Technology and Innovation, and the Water Department have already taken positive actions in response to our recommendations. We thank the management and staff of the Utility Accounting Division, Technology and Innovation, and the Water Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout

Roger Strout
Internal Audit Director

cc: Darrell Smith, Chief of Staff
Bonnie Wise, Director of Revenue and Finance
Butch Hill, Manager of Utility Accounting Division
Brad Baird, Director of Water Department
James Buckner, Director of Technology and Innovation
Steve Daignault, Administrator of Public Works and Utilities Services

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/s/ Christine A. Dever

Auditor

/s/ Vivian Walker

Auditor

/s/ Roger Strout

Audit Director

**REVENUE & FINANCE
UTILITY ACCOUNTING DIVISION
AUDIT 09-02**

BACKGROUND

The City of Tampa Utility Accounting Division (UAD) provides billing and collection services for the City's Water, Wastewater, and Solid Waste and Environmental Program Management Departments. UAD is divided into five sections: Meter Reading & Service, Billing, Customer Service, Credit & Collection, and Refuse Inspection. The Division is responsible for servicing approximately 131,000 residential and commercial customers.

There are 21 billing cycles and meters are read on a bi-monthly basis, with the alternate month being billed based on an estimated amount, calculated as a moving average. The Multi-Service System (MSS) is utilized to integrate utility service and billing information, provide users with on-line access to current and historical activity, and generate operational reports. It is used by all of the sections except Meter Reading & Services, which uses Radix software for meter reading purposes. Radix information is interfaced with MSS daily.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY09 Audit Agenda. The objectives of this audit were to ensure that:

1. Operations were performed to effectively minimize potential revenue loss.
2. Utility consumers were properly charged for services provided.
3. User access to critical functions of the Multi-Service System was necessary to perform their job duties.
4. Credit and Collections procedures were followed to ensure timely collection and in accordance with the current policy.

STATEMENT OF SCOPE

The audit period covered the operations of the Utility Accounting Division (UAD) from October 1, 2008, to March 31, 2009. Source documentation was obtained from UAD. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated initially using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent using MS Excel as our software program. For the remaining tests ACL (Audit software) was used for our statistical sample, using a desired confidence level of 90 percent, expected error rate of 0 percent, and a desired precision of 5 percent.

Statistical sampling was used to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's FAMIS and MSS (financial and billing systems, respectively). Both systems were previously determined to be reliable and no additional work was deemed necessary.

STATEMENT OF AUDITING STANDARDS

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

1. Operations could be modified to operate more effectively and help reduce the potential for revenue loss.
2. Customers were billed at the proper rate for their service; however, there were some slight differences due to meter reading errors in the meter replacement program.
3. MSS User access appeared to be necessary for most positions; however, authorizations for access should be administered and documented on a more consistent basis.
4. Procedures for processing delinquent accounts need to always be in accordance with City policy and adhere to current ordinances.

While the findings discussed below may not individually or in the aggregate, significantly impair the operations of the Utility Accounting Division, they do present risks that can be more effectively controlled.

PAST DUE ACCOUNT COLLECTIONS

AUDIT ISSUE

Posting of payments received on delinquent accounts collected through the Merchants Association were not recorded on the customer's account on a timely basis.

OBSERVATIONS

During our review of delinquent accounts we noted that 14 of 16 (88%) of the accounts we reviewed, that had been "finalled", were not promptly submitted to the Merchants Association after 120 days as established by City policy.

Also, 22 of 39 (56%) of the account payments we reviewed that were shown as being received by the Merchants Association (Collection Agency), were not recorded as sent on the specific accounts in the Multi-Service System (MSS). Additionally, we noted that payments reported on the Merchants Association report dated February 28, 2009, were not posted to the respective accounts in MSS until April 30, 2009.

CRITERIA

All payments should be posted on a timely basis.

RISK DESCRIPTION

If accounts are not posted in a timely manner this could result in potential for reduced income to the City, as well as inaccurate delinquent account balances.

RECOMMENDATION 1

Management should review its procedures and practices and ensure:

- Delinquent accounts are forwarded to the Merchants Association on a timely basis.
- Payments from delinquent accounts are posted to MSS on a timely basis.

MANAGEMENT'S RESPONSE

We agree with the recommendations. In order to turn over accounts to the Merchants Association more quickly, we intend, with the T&I Department's assistance, to eliminate the warning letter sent by the City to accounts after the 2nd final bill. This will reduce the maximum age of accounts being sent to Merchants up to 120 days. With regard to the posting of payments from delinquent accounts, we agree that we were behind at the time of the audit, but are now caught up, and will continue to stay caught up.

METER LOCKS/REMOVAL FOR DELINQUENT ACCOUNTS

AUDIT ISSUE

Currently, compliance with the policy of locking and / or removing the meter within the one-week time period requirement is inconsistent. Additionally, we were informed that significant delays in locking a meter or meter removal occur during the months of November and December.

OBSERVATIONS

The current process for notifying an account holder of the intent to disconnect service is performed by a notification card mailed to the location of the meter (the addressee is listed as "occupant"). However, it was noted that for 20 (83%) of 24 accounts reviewed, the actual locking or removal of the meter was delayed from a period of 28 to 123 days.

CRITERIA

Policy identified during the audit indicated a one-week standard for locking or removal of meters.

RISK DESCRIPTION

Non-compliance with policy could increase delinquency balances and potentially increase bad debt write offs.

RECOMMENDATION 2

Management should research methods to address delinquent accounts in a timelier manner to avoid additional bad debt write offs.

MANAGEMENT'S RESPONSE

We agree with the recommendation. The Utility Accounting Manager will be sending a memorandum to the Credit / Collections Supervisor and the Meter Services Supervisor advising them that meter locking and removal activities should be conducted consistently over the twelve months of the year.

METER REPLACEMENTS

AUDIT ISSUE

The City has a Meter Replacement Program which utilizes an outside contractor for water meter replacements. Occasionally meter replacements are performed by City employees as a step in resolving a maintenance issue. The Contractor is paid based on the number of water meters the contractor replaces. It was noted in our observation that meter reading differences occur in the last two digit section of the meter read which if under 10cc is not considered for billing. Although this issue did not affect the billing, larger misreads could.

OBSERVATIONS

In testing the meter replacement process we noted the following:

- Three work orders out of 47 could not be located by the auditee and could not be tested.
- Six out of 47 meter readings per MSS did not agree with the meter reading for the new meter documented on the work order. Note these counts are in the last two digit section.
- Two out of 47 meter readings had the original read crossed out without any notations.

CRITERIA

The meter replacement program has a step-by-step process for the replacement of meters.

RISK DESCRIPTION

Paperwork could be incomplete. If information is not verified when entered it could lead to incorrect readings resulting in billing errors.

RECOMMENDATION 3

A process should be developed and documented to help ensure completeness of the contractor's meter replacement documents. This process should help ensure that the meter replacement process is being followed consistently. Additionally, all required documents should be accounted for prior to payment being made to the contractor to help ensure they are only paid for work performed.

Meter replacement readings should be verified after entry into MSS to help ensure accuracy. Handwritten changes and cross-throughs should be accompanied by a notation of who made the change, when it was made, and why it was made.

WATER DEPARTMENT MANAGEMENT'S RESPONSE

The Department has initiated a new process to randomly choose 50 meter replacements each week to verify that the following information matches the data that has been entered into MSS: 1) the ending reading of the old meter, 2) the new meter number, and 3) the beginning read of the new meter. If the sample size validates the data's accuracy, the sample size will remain at 50. The representative performing the random audit will initial those orders that have been sampled. However, if the sample size shows an error rate of greater than 10%, additional samples will be taken to identify the reason for the errors. Additionally, training /performance counseling will be provided once the errors' causative factors are determined.

The Department is confident that the contractor has been paid only for work that has been done. The Distribution Division does not pay for work without tangible evidence that the

contractor has completed the work. We feel that the three work orders that could not be found during the audit were misplaced/misfiled after verifying that the work was complete. However, we will focus on better filing and control methods.

The Department concurs with this recommendation. The individual correcting the read will initial next to the corrected information, record the date the correction was made, and provide a brief explanation for the correction.

The Department concurs with this observation. Although the last two digits have no material affect on the billing, a more careful verification should take place to ensure the entire reading is accurate. We will communicate this observation with our employees and contractor.

ADJUSTMENTS TO CUSTOMER ACCOUNTS

AUDIT ISSUE

We noted the following when testing adjustments to customer accounts:

- The adjustment review process documentation is not retained for future reference and is not documented on the customer's account in the Multi-Service System (MSS) by UAD or Solid Waste.
- Adjustments made by supervisors are not reviewed.
- Each department handles adjustment processing, review, approval, and retention based on different criteria.

OBSERVATIONS

Adjustments are made in two forms in the MSS system: usage adjustments and money balance adjustments. Adjustments are made by multiple levels of individuals based on the type of adjustment. Adjustments are reviewed daily by supervisors in that area for appropriateness. More complex adjustments are performed by higher level supervisors. Each department processes adjustments slightly different. Supervisor adjustments are not reviewed by a higher level supervisor or manager.

CRITERIA

Best practices support that adjustments are processed City-wide in a consistent manner and documentation retained according to public records policy.

RISK DESCRIPTION

Inconsistent documentation of adjustments could lead to incomplete information when answering customer questions and could result in inefficiencies and unsatisfactory customer service. Supervisors could make adjustments that may not be appropriate.

RECOMMENDATION 4

- Supervisors should maintain supporting documentation for the fiscal year and a note should be made on the customer account in the system that the adjustment has been reviewed and approved by initialing the remarks screen.
- A consistent process of how adjustments are reviewed, which items are reviewed (dollar thresholds), how often they are reviewed, how the review is documented, and how documentation is maintained should be implemented.
- On at least a quarterly basis, adjustments made at the supervisor level, should be reviewed by the Manager of Utility Accounting along with supporting documentation to help ensure that the review and approval process was completed.
- A consistent policy should be implemented for processing, approving, and retaining supporting documentation for all adjustments by all areas City-wide.

MANAGEMENT'S RESPONSE

We agree with the recommendations. We are in the process of developing written Policies and Procedures regarding adjustments and expect to have them in final draft form by January 31st. These Policies and Procedures will establish Utility Accounting Division adjustment procedures, and be used to establish Citywide Utility Billing Adjustment procedures.

POTENTIAL UNBILLED SERVICES

AUDIT ISSUE

As new construction is initiated, addresses are entered into the Housing Services System (HSS). New accounts that previously had no water supply lines are established by the Water Department. A new account that already has established lines is set up by UAD. There currently is no consistent process followed to ensure addresses that should have an account and be billed for services are identified and followed-up on.

OBSERVATIONS

We reviewed the HSS and matched with addresses in Multi-Services System (MSS) looking for unmatched addresses. The purpose of this test was to determine if there were properties that should be receiving service that are not or if they are receiving service and not being billed for it.

In our sample tested we noted one out of 47, where at minimum, the property should have refuse service based on the type of property and location within the City of Tampa, however, this property did not have an active account and no billing had occurred.

CRITERIA

Properties within City limits should at a minimum receive refuse service and have an active account. Identifying those properties would be a good practice to help ensure accurate billing for services rendered.

RISK DESCRIPTION

Individuals and businesses that should have an account may not. Individuals or businesses receiving services may not be properly billed for services they receive, potentially resulting in a loss of revenue.

RECOMMENDATION 5

The UAD, Water, and Solid Waste and Environmental Program Management should work together to develop a consistent, periodic, review process. Periodic tests similar to those conducted during this audit should be considered semi-annually, or annually to identify potential unbilled services. Additionally, UAD should work with T&I to code these properties in the HSS system so that once the reason for not having an account is validated it can be removed from of the list.

MANAGEMENT'S RESPONSE

We agree with the recommendation. The Utility Accounting Division will develop a procedure by January 31st, to perform a test for unbilled services at least annually.

MAIL-IN-READ ACCOUNTS

AUDIT ISSUE

Documentation has not been maintained to support that “mail-in-read card accounts” are read at least once annually.

OBSERVATIONS

In some situations there are water meters that meter readers have no access to, mainly because the meters are in the back yard, dogs in yard, meters may be on a roof (cooling tower), etc. In these cases, the customer is responsible for obtaining a reading and mailing the card to Meter Services. Mail-in-read cards are recorded in the MSS system under the customer accounts and the cards are kept in a file. A new process that has been implemented is a rotating schedule for UAD Meter Readers to read “mail-in-read cards” at least once annually. Per the Assistant Supervisor this has only been done once and there is no documented procedure. We noted that they have not gone through a complete cycle of all mail-in-read card accounts at least once.

CRITERIA

Each month customers that have non-accessible meters will read their meters and note the reading on the post cards received from the meter reading services department. Upon receipt of the post cards the Meter Reading Services Department logs the meter readings into MSS to properly bill the customer. These meters should be read periodically by the Meter Reading Services Department.

RISK DESCRIPTION

Incorrect or under read meters could result in incorrect bills sent to the customer and potentially a loss of revenue.

RECOMMENDATION 6

A written policy should be developed which documents implementation of a consistent monitoring process for “mail-in-read card accounts”. This monitoring should allow Meter Reading Services Department to physically read meters for all “mail-in-read card accounts” at least once annually.

MANAGEMENT'S RESPONSE

We agree with the recommendation. The Utility Accounting Division will by January 31st, develop a policy to monitor mail-in read accounts at least annually.

USER ACCESS IN MSS

AUDIT ISSUE

Annually, Department Liaisons (DL) receive printouts of user access for their employees. The DL verifies the details on the list and returns it back to T&I. This process does not include the owner of the data, who initially granted access, to reconfirm the access.

OBSERVATIONS

The City of Tampa's T&I department has a process in place to request and authorize user access for particular systems. A standard form for MSS notes areas of access by code number and the required authorization signature needed. Authorization can be granted by a single individual such as the UAD Manager or multiple owners depending on the authorization requested.

Based on our testing of user access controls for the Multi-Service System (MSS) we found that 32 of the 47 users we examined did not have the required access authorization documentation on file.

CRITERIA

The User Access Authorization process and form is a good control when followed consistently. The process should include modifications for updates in technology such as email approvals to maintain efficiency and effectiveness.

RISK DESCRIPTION

Individuals may have access to areas which are not necessary to perform their individual job duties. This access may allow them to make modifications that they should not be able to make based on their position.

RECOMMENDATION 7

The process for user access requests and authorization should be followed on a consistent basis. The system should be updated for technology changes, however, maintain the authorization control in the process. Complete documentation should be kept in the files including any updates with proper authorizations. If a designee is allowed, this should be documented in the process and supporting documentation.

Access should be reviewed annually by those in charge of the area being accessed, not the department liaison.

T&I MANAGEMENT'S RESPONSE

The 32 accounts for which authorization documents were missing had been granted MSS access prior to the establishment of the Security Office and in these cases the original authorizing documents were not available. Since the establishment of the Security Office, it is policy and standard practice that the proper authorizations are printed and maintained in the corresponding user's security folder. For user accounts granted access prior to the establishment of the Security Office, the yearly confirmation reports have served as verification that the user's access is still appropriate to their job duties. We agree with the recommendation regarding the application data owners performing a review of the application's users and their corresponding access rights. T&I's Information Security Office

is working to identify the MSS data owners and implement a process for quarterly review by said data owners.

We agree. Since the establishment of the Security Office this is standard practice. Access is granted based on appropriate approvals received either via a hardcopy of the form or an e-mail from the authorizing director or director's designee. All documentation is maintained in the user's security folder.

We agree. In addition to the yearly confirmation reports processed by the department liaisons, the T&I Information Security Office is working to identify the MSS data owners and implement a process for a quarterly review by the responsible data owners.

MANUAL PROCESSES WITHIN UAD

AUDIT ISSUE

UAD has many manual processes where computer systems and reports are available which could be utilized resulting in increased efficiencies.

OBSERVATIONS

While performing walkthroughs of the many processes within UAD we noted that some individuals are maintaining manual ledger work papers instead of using computer programs such as Excel. Manual work papers can lead to potential errors and reduced efficiencies.

CRITERIA

Utilizing computer software productivity tools already in place should result in increased efficiencies.

RISK DESCRIPTION

Manual processes limit the ability to share information. Information may lose its relevance if not timely.

RECOMMENDATION 8

UAD should identify all processes that are tracked manually and review them with T&I to determine if the data is sufficient for the MSS system to produce the same information within the timeline needed. While preparing these reports T&I could also help define user access levels. These changes should reduce time spent on manually calculated ledger sheets; increase efficiency by allowing multiple users to access data needed and streamline the reporting process by setting up automated reporting timelines.

MANAGEMENT'S RESPONSE

We are in agreement with this recommendation. The Utility Accounting Division during the past year has automated many previously manually tracked processes (primarily using Excel spreadsheets). We agree during the upcoming fiscal year to identify our other significant manual processes and automate them in a similar fashion.