



CITY AUDITOR'S OFFICE

TO: Mayor and Council Members
THRU: Margaret Krym, City Auditor
FROM: Oscar Claudio, Assistant City Auditor
Jessie Hon, Senior Auditor
DATE: April 7, 2016

SUBJECT: Follow up Audit of Utility Billing Systems – Memorandum Report

The City Auditor's Office has conducted a follow up audit of the Utility Billing Systems. The original audit, Audit Report Number 14 A-4, was issued on December 16, 2014 with six identified audit findings.

The purpose of the follow up audit is to determine the implementation status of prior audit recommendations and management responses. Our testing procedures included:

- 1) personnel inquiries;
- 2) review of updated policies, procedure, and ordinances when applicable;
- 3) detailed testing of monthly billing statements to ensure correct rates were applied and accurately calculated; and
- 4) a review to determine if corrective actions provided by management have been taken

This follow up audit was conducted in accordance with the generally accepted government auditing standards.

Based on the follow up audit results, we concluded that:

- Management successfully implemented recommendations 1, 3, 4, 5, and 6. These five recommendations are part of the six recommendations in the original audit report.
- The number two recommendation, which was partially implemented, pertains to procedures of processing utility billing delinquent account balances for write off. Currently, there are issues with the write off process in the JDE software, which affects the write off of charges on uncollectible accounts at the account level. Customer Billing Service management is working with the utility billing software vendor in an effort to resolve these issues with the write off process.

Follow up Audit of Utility Billing System

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Attached is a grid that defines the underlying finding, audit recommendations, management's response, results of follow up audit, and the status as of completion of the follow up audit.

We appreciate the assistance provided by management and staff for their efforts to complete this follow up engagement.

We are available to respond to any questions or concerns you may have about the information contained in this document. You may contact Oscar Claudio at (239) 242-3382 or Jessie Hon at (239) 242-3381.

Attachment

C: John Szerlag, City Manager
Mike Ilczyszyn, Assistant City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Victoria Bateman, Financial Services Director
Audit Committee

CITY OF CAPE CORAL
 CITY AUDITOR'S OFFICE
 FOLLOW UP AUDIT: Utility Billing System
 RESULTS OF FOLLOW UP AUDIT GRID

#	AUDIT RECOMMENDATION	ORIGINAL MANAGEMENT RESPONSE	ORIGINAL TARGET COMPLETION DATE	RESULTS OF FOLLOW UP AUDIT	STATUS AS OF COMPLETION OF FOLLOW UP AUDIT	MANAGEMENT'S RESPONSE AFTER COMPLETION OF FOLLOW UP AUDIT
1	We recommend CBS establish effective control mechanisms that will ensure appropriate rates are implemented in order to avoid this condition from occurring in the future. CBS personnel should be trained about the new required procedures. If warranted, CBS should back-bill the customers that were under charged and refund the customers that were over charged from the period allowable by the City Ordinance.	<i>CBS staff have updated rates in the utility billing software in accordance with applicable rate resolutions or ordinances. When rates are updated, to ensure sufficient control of the input of the applicable rates, one CBS staff member will input the rates and a member of the CBS leadership will verify the rates input. There were 13 commercial accounts billed for irrigation water fire line service. A reconciliation of these accounts to backbill or refund will be completed.</i>	02/01/15	The rates have been updated in JDE and BillTrust based on the current rate schedule approved by the City Council. Bills calculated incorrectly have been either refunded or back billed. Additional testing on bills confirmed accurate calculation and correct rates applied. This corrective action has been successfully implemented and risk associated with the finding has also been mitigated.	Completed	Corrective action completed. Response not required.

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2	<p>We recommend CBS expand the current procedures to establish a more comprehensive level of internal controls covering the processing, reviewing and approval of delinquent balances for write off. In addition, CBS should generate a monthly delinquency report that can be used to inform management on the status of utility accounts collection.</p>	<p><i>CBS staff will begin providing monthly delinquency/aging reports which will be reviewed and approved by CBS leadership. These monthly reports will be available to Financial Services management, as well as the Utilities department head.</i></p> <p><i>CBS will work with IT to facilitate a monthly update of closed tenant accounts within the utility billing software, (JDE), to effectively change the status from delinquent to write-off.</i></p>	02/01/15	<p>Currently, CBS has not been doing write offs due to the transition of the management personnel and a delay of selecting a collection agency. According to CBS, they are getting ready to start writing off the accounts that were included in the first batch-overdue accounts to Penn Credit (3rd party collection agency) in March 2016. Customer Billing Supervisor will reach out to the Water and Sewer accountant to ensure the batch is processed as expected. This portion of the corrective action has not been successfully implemented and risk associated with the finding has not been mitigated.</p> <p>CBS has been generating overdue accounts aging report and report is sent to Penn Credit for collection. The report is now being used and reviewed by CBS management. This corrective action has been successfully implemented and risk associated with the finding has also been mitigated.</p> <p>This corrective action has been partially implemented.</p>	Partially Completed	<p><i>The CAFR accurately reflects the value of the utility asset. Each year, an allowance for doubtful accounts is entered at the GL level. Currently, there is an issue with the write off process in the JDE software, which would effectively write off the charges on uncollectible accounts at the account level. The write off will create a general ledger entry to adjust the receivable and allowance account. CBS continues to participate in biweekly conference calls with the utility billing software vendor, in an effort to resolve issues with the write off process at account level.</i></p>

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3	We recommend management evaluate the reliability of the processes and procedures used in collecting overdue account balances. Management should establish effective means of collecting delinquent and overdue account balances and should conduct periodic review of these accounts to ensure compliance with established procedures. Lastly, it should implement a periodic schedule on when to refer those accounts with outstanding balances over 180 days or more to a collection agency so that the collection process can be initiated in a timely manner.	<i>CBS staff are collaborating with Procurement to evaluate and procure collection vendor services. Once a collection vendor is determined, processes for referring accounts to the collection vendor will be determined. Then, on a monthly basis a report of delinquent accounts being serviced by the collection vendor will be provided to Financial Services management, as well as a copy to the Utilities Director.</i>	03/01/15	<p>CBS has a collection vendor in place for collection effort on overdue accounts. This collection vendor, Penn Credit, has been in service with the CBS since June 2015. This correction action was successfully implemented and it mitigated risk associated with the underlying finding.</p> <p>Management indicated that monthly delinquent accounts report was being provided to Finance Services Management and Utilities Director. However, this practice was not implemented during the time of the follow up audit.</p> <p>As of 3/4/2016, CBS has started to forward the aging report and Penn Credit Payment Analysis Report to designated parties. This corrective action has been successfully implemented.</p>	Completed	Corrective action completed. Response not required.
4	We recommend CBS revise and update its current policies and procedures manual in order to strengthen its internal control systems and be consistent with the City Code Ordinance Chapter 19; JDE utility billing system; and applicable Council Resolution.	<i>The CBS policies and procedures manual will be updated to incorporate changes necessitated by JDE utility billing software, Code of Ordinances Chapter 19, and Council Resolution. The CBS policies and procedures manual will be maintained and available electronically, with a master hardcopy retained with CBS management.</i>	05/01/15	The Financial Services Department Administrative Policies are revised including policies and procedures on back billing, refunds, collections, write offs according to the City of Cape Coral Ordinance Chapter 19 and Resolution 35-13. This corrective action has been successfully implemented and risk associated with the finding has also been mitigated.	Completed	Corrective action completed. Response not required.

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5	RC 1) We suggest CBS develop procedures to protect and ensure the correctness of data files from the JDE billing system before being transmitted to the printing vendor. Supervisory review should be performed to ensure the correctness and reliability of transmitted data files. Also, supervisors should ensure that the developed procedures are being followed and operating accordingly.	<i>The correct amount of consumption, as measured by multiple meters within a billing period, was, and is, billed correctly. The issue of each meter not being included with the customer's bill was corrected 9/2014.</i>	5/1/15	A sample of bills with a meter exchange was tested to ensure correct calculation was applied. Water and Sewer rates are pro-rated to a daily rate depending on the usage of each meter to obtain the final charges. We reviewed the rate schedules and deemed procedure is appropriate. This corrective action has been successfully implemented.	Completed	Corrective action completed. Response not required.
6	RC 2) We suggest management revise the utility rates schedule printed on the back of the monthly statements to reflect the appropriate utility rates intended for the particular fiscal year.	<i>The rate schedule is accurate on the printed bills. The rate schedule on the e-bills needs updated. The e-bill vendor is in the process of updating the bill backer to reflect the current rates.</i>	12/1/14	The rate schedule on the back of the bill in Bill Trust reflects the current rates. This corrective action has been successfully implemented and risk associated with the finding has also been mitigated.	Completed	Corrective action completed. Response not required.