

Audit Report #2019-07

Follow-Up of the
Utility Billing and Customer Service Division Audit

November 8, 2019



Internal Audit Department



ANGELA VICK

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
CITRUS COUNTY, FLORIDA

Clerk of the County Court
Recorder of Deeds
Clerk and Accountant of the Board of County Commissioners
Custodian of County Funds
County Auditor

120 South Montgomery Avenue
Inverness, Florida 34450
Telephone: (352) 341-6449
Fax: (844) 937-9644
rbarclay@citrusclerk.org
www.citrusclerk.org

November 8, 2019

The Honorable Angela Vick
Clerk of the Circuit Court and Comptroller

Dear Ms. Vick:

The Internal Audit Department (IAD) has completed the Follow-Up Report of the Utility Billing and Customer Service Division Audit for the Citrus County Board of County Commissioners. The original audit report, dated July 25, 2017, contained nineteen audit recommendations. On October 1, 2019, the Utility Billing and Customer Service Division name changed to Utility Business Services Division (UBSD).

All recommendations were addressed and corrective actions were implemented. The report on this follow-up audit is attached. Based on our observations, limited testing, and discussions with Utility Billing Services management, IAD considers all remaining items closed.

We appreciate the cooperation and professional courtesies extended by Utility Billing Services management and staff. IAD commends management for implementing the recommended improvements.

Sincerely,

Robin Barclay
Chief Audit Officer

OBJECTIVE

The objective of this follow-up audit was to evaluate whether corrective actions were taken to address audit observations and recommendations included in the Utility Billing and Customer Service Division Audit conducted for the Citrus County Board of County Commissioners, dated July 25, 2017.

BACKGROUND

At the conclusion of each audit assignment, a final report is issued by the IAD that includes identified control weaknesses, non-compliance with policies and procedures, and any non-compliance of laws and regulations. We work with management throughout the audit process to develop recommendations and action plans to address these matters.

METHODOLOGY

To assess the status of management's corrective actions, IAD made observations, conducted limited testing, and held discussions with management.

When issues are deemed satisfactorily implemented or management has accepted the risk of not taking action, IAD considers the issue closed.

Our follow-up audit was conducted in accordance with the International Professional Practices Framework, which requires internal auditors to establish a follow-up process to determine if issues were adequately addressed and recommended corrective actions were effectively implemented.

SUMMARY RESULTS

The audit recommendations and management responses below were described in the original report, dated July 25, 2017. This report continues the follow-up evaluation of the recommendations and lists their current implementation status.

Observation 1: Usage on vacant accounts was not always detected in a timely manner, which resulted in unaccounted for water loss and potential loss of revenue.

Recommendation:

Strong oversight and formal procedures in the process of reviewing meter reading data decreases the risk of CCU incurring non-revenue water¹ losses. Metered water consumption data serves as the basis for accurate billing and revenue generation. CCU had internal policies and procedures for identifying and investigating errors or outliers in meter reading data (such as high usage, zero usage, and negative usage). However, a procedure for handling meter readings that indicated usage on vacant accounts was not included in CCUs meter reading process.

R1. We recommend that management create and implement a formal written policy and procedure for identification and investigation of vacant accounts reflecting water usage.

R2. We recommend that vacant accounts are regularly monitored and reviewed by management for early detection of unauthorized water usage. Monitoring on a monthly basis can result in timely discovery of inappropriate water usage, and a reduction in water loss.

Management Response:

This issue was identified by staff as a problem to be resolved by the County's billing vendor. Specifically, the system was not producing a report targeted toward identification of usage on vacant accounts. This issue was corrected with the vendor earlier this year and staff can now clearly see any unbilled usage.

Staff has enhanced the process for monitoring every inactive account and a formal written policy and procedure for identification and investigation of usage on vacant accounts has been prepared.

Status: Implemented

An SOP for *Usage on Vacant Accounts* was implemented. Work orders are created in Hansen for each address that has meter usage on an inactive account. The meter is checked for leaks or necessary repairs. Actions taken are recorded in the OPUS Activity Log. If a new customer activates an account, ownership dates or lease start dates are reviewed to see if they were occupants within the dates of the vacant usage, and the new account is adjusted for services used. A backup procedure to catch usage on vacant accounts is also in place by closing "Move In" service orders in the Billing System/OPUS.

The Utility Billing Services Director (Director) stated all transactions indicating usage on a vacant account are investigated whenever water consumption occurs. A work order is issued to check that the lock has not been tampered with, or to determine if usage occurred due to a leaking curb stop (shut off valve), or another type of leak.

¹ Non-Revenue Water (NRW) is water that is not billed and no payment is received. It can be either authorized, or result from apparent and real losses. Apparent losses represent a loss of revenue because the water is consumed but not accounted for and thus not billed. Real losses represent costs to a water system through the additional energy and chemical usage required to treat the lost water. Source: United States Environmental Protection Agency, Water Audits and Water Loss Control for Public Water Systems, <https://www.epa.gov/sites/production/files/2015-04/documents/epa816f13002.pdf>

IAD reviewed the July 2019 OPUS report containing 39 transactions with missing account numbers. Of those transactions, only two of the transactions indicated water usage. These transactions were investigated and determined to be duplicate readings on active accounts.

Observation 2: Meters were not properly locked at the time of service disconnection.

Recommendation:

In cases where the customer's service has been turned off for non-payment or when the account is closed and a vacant account exists, the physical service connection still exists. There is an increased risk of illegal connections if meters are not properly locked.

R3. We recommend locking meters with a proper security locking device at the time of service disconnection when appropriate.

Management Response:

This issue was addressed in February 2016 through direction from management to discontinue the use of zip ties for meter shut-offs and to only use proper meter locking devices.

Status: Implemented

The auditor reviewed invoices from fiscal years 2017 and 2018 to verify that locks were purchased for the purpose of securing meters on the inactive accounts.

The Director demonstrated in OPUS the process to install locks on meters. When service is disconnected, a service order is initiated in OPUS, and a work order is generated in Hansen. The work order instructs the field technician to read the meter, turn off, and secure with a lock.

On 10/31/19, IAD accompanied the Meter Specialist (the lead meter reader) to inspect meters at three locations selected by IAD to determine that locks were installed on these inactive accounts. Two meters were locked; the meter at the third location was not locked.

An OPUS service order was previously issued for the Operations technician to read, turn off, and lock the meter at the third location. Notes in the Hansen work order tab indicated the meter was read, turned off, and locked for final on 10/7/19. After opening the meter box, the Meter Specialist called the Billing Systems Manager (BSM) to report the meter was not locked, and that the curb stop appeared to be frozen and wedged tightly next to the concrete. The BSM then generated a work order to install a lock on the meter and repair the curb stop. The Meter Specialist also reported the meter reading of 1308, which was checked against the final reading on 10/7/19. The meter readings matched, which indicated that no water had been used since the account was inactivated.

The UBSD staff followed the procedures for inactivating an account; however, it appeared the Operations technician did not.

Observation 3: CCU was not always in compliance with Ordinance, Section 102-137.

Recommendation:

The section of Ordinance that contained the provisions for making adjustments to utility bills has not been amended since 2008. Additionally, the SOP for leak adjustment requests has not been revised since the transition to OPUS in May 2014. As business processes change and evolve, compliance documents should be periodically reviewed to ensure that current practices still align with Ordinance and internal policies and procedures.

R4. We recommend that CCU comply with Ordinance, Section 102-37, or consider revising the Ordinance to align with current business practices for billing adjustments.

R5. We recommend that the SOP for leak adjustment requests be revised to reflect current processes and procedures in effect since the transition to OPUS.

Management Response:

In response to this audit observation, strict conformance to Ordinance 102-137 has been implemented until such time as a revised ordinance can be completed and brought to the Board of County Commissioners for consideration. A revised ordinance could address some of the non-compliant issues that were identified in the audit observation. Specifically, the requirements for timely payment history and submission of repair invoices within 7 days of the leak occurrence have been problematic for some customers who would otherwise qualify for leak adjustments.

Staff is also updating the SOP for leak adjustments.

Status: Implemented

Ordinance 102-137, *Adjustment of bills; meter readings & inspections*, was changed to Ordinance 102-136, *Bill Adjustment*, in April 2018. Leak adjustment request forms outline the requirements of the revised Ordinance 102-136. The updated SOP, *Leak Adjustment Request*, contains a checklist, based on the ordinance criteria, which must be applied when processing a customer's request for a leak adjustment, or when denying the request:

- ❖ *Customer did not fill out and turn in a completed Leak Adjustment Request Form.*
- ❖ *Customer Repair - Customer must provide a notarized written request.*
- ❖ *Contractor Repair- Customer must provide a contractor's repair receipt.*
- ❖ *Customer's unusually high meter reading compared to the previous month of usage must result in at least a 200 percent increase in the cost over the prior month's bill.*
- ❖ *Customer must provide documented proof that a repair was complete within seven calendar days from discovering of leak or notification of a possible leak.*
- ❖ *Customer did not provide a written explanation for needing an extended time to make repair on said leak.*
- ❖ *Usage during the month of the leak must exceed every monthly usage during the prior 12 months.*
- ❖ *Customer account may be adjusted no more than once in a 24-month period.*
- ❖ *Other- No provisions for adjustments other than repaired leaks.*
- ❖ *Usage is still high after indicated leak repair date.*

Observation 4: CCU was not always in compliance with Ordinance, Section 102-133.

Recommendation:

The Ordinance stipulated that a customer shall receive an annual interest credit, if requested in writing; or the deposit and accrued interest may be refunded altogether, if the customer met certain payment criteria after three years.

R9. Management should make revisions to either the Deposit Refund Request Form or the SOP for processing a deposit refund request, so that they align with one another and conform to Ordinance, Section 102-133.

If management decides to continue the practice of allowing verbal requests for refunds, they should strongly consider that allowing someone to verbally request a refund via phone, and allowing an employee to initiate and complete that request, could lead to diverting the refund to someone other than the customer.

Management Response:

Current business processes are established to mitigate the potential of diverting a deposit refund to someone other than the customer. In particular, refund checks are only issued to the customer initially making application for service. In cases where the customer is deceased or incapacitated, staff is trained to request a copy of death certificate and power of attorney to demonstrate that someone other than the customer is entitled to the deposit refund.

While the original intent of including the option to process telephone requests was intended to increase service for customers who may be experiencing a personal restriction which prevented them from presenting a written request, the SOP has been revised to prohibit oral requests.

A revised form has been created and is available to all customers through the BOCC website, email, mail, or in person.

Status: Implemented

UBSD revised the SOP, *Deposit Refund Request*, and the *Deposit Refund Request Form*, to include the following:

- a. the request be submitted in writing by the customer(s) specified on the account.
- b. no delinquent or NSF payments, no returned checks, and no uncollectible balances.
- c. the account was consistently active for 36 months.

Observation 5: Meter readings were not always obtained/or uploaded into the customer's account for the billing cycle, which resulted in inaccurate and incomplete billing.

Recommendation:

Billing accuracy and completeness is dependent on proper and timely information being recorded in customer accounts in OPUS. Inaccurate billing confuses customers, and can potentially result in the customer paying a higher bill due to increased tier charges for an extended service period. Incomplete billing may result in potential loss of revenue for CCU due to unbilled water/or sewer base charges.

R6. We recommend that management determine the root cause of incomplete meter reading uploads to the OPUS system, to ensure that utility billings are complete and accurate. The cause should be isolated to determine if it is due to meter reading procedural errors (CCU responsibility), or errors in the OPUS billing application (vendor responsibility).

Management Response:

Staff investigates all no-reads that are provided from the billing vendor; however, the list provided by the vendor is not always complete. Staff is working with the billing vendor to determine the reason why a complete listing of all no-reads are not provided to the County on a routine basis, so that they can be investigated and resolved in a timely manner.

Meter reading periods longer than 32 days was an issue for some time due to the scheduling established by prior staff. Changes were implemented and the issue has been resolved for standard schedules. The key exception may be delays due to holidays and inclement weather.

Status: Implemented

The Director indicated the vendor submitted the issue to Harris Corporation, the software program developers. Since there is no distinct pattern for the no-reads, it is difficult to determine the actual cause, due to data capture from hand-held devices by the field techs, transmission to computers, and uploading into the OPUS system.

According to the Billing Systems Manager, the number of no-reads has declined overall, estimated currently at 20-30 per month. IAD reviewed the August 2019 no-reads excel report, which contained only six no-read transactions.

Staff follows the *SOP for No-Reads*, which was updated in July 2019. Once the no-read is researched and resolved, notes are added to the account activity log. The account is updated with the meter reading from a re-read (second reading by the meter reader), from the original reading on the hand-held device, or an estimated reading. The reading is then sent back to OPUS for recalculating the bill.

The standard reading schedules are now between 28-32 days, unless there is a holiday or inclement weather.

Observation 6: The Utility Billing Supervisor performed duties of payment receipting, compiling and reconciling deposits, and adjusting customers' accounts, which are an inadequate segregation of duties and do not comply with the County's Cash Handling Policy.

Recommendation:

R7. To achieve a complete segregation of duties, any employee involved in deposit verification, deposit compilation, or customer account adjustments should not be collecting payments, issuing receipts, handling cash, or performing reconciliations of those transactions. Additionally, making adjustments to customer accounts should be assigned to another employee independent of reconciliations, receipting payments, or preparing bank deposits.

R8. In those instances where duties cannot be fully segregated, mitigating or compensating controls should be established. Mitigating or compensating controls are additional procedures

designed to reduce the risk of errors or irregularities. If the incompatible duties listed above cannot be assigned to other individuals, management should perform a detailed, documented review of the reconciliations and account adjustments to provide additional control.

Management Response:

In late 2015 through early 2016, the Billing and Customer Service Division of the Department of Water Resources had a staff turnover which caused at least one employee to perform multiple jobs due to a temporary lack of available staff resources. The division has filled available positions and reassigned staffing responsibilities to better segregate duties. As of January 2017, the Utility Billing Supervisor, who is responsible for deposit verifications, deposit compilation and account adjustments, no longer receipts payments or handles any cash, check or credit card transactions.

For control purposes, the Utility Billing and Customer Service Director performs an audit on adjustments that are made by staff within the division.

Status: Implemented

IAD reviewed the Utility Billing Supervisor's (UBS) job description and confirmed that receipting payments and processing transactions were not included in the tasks for this position. IAD also reviewed the OPUS permissions and verified the UBS did not have access to receipt payments.

The Director and IAD discussed continuous monitoring of adjustments made by staff. IAD observed the Director selecting adjustments and reviewing the transactions. As this process is integral to the billing, the Director conducts this review every day to mitigate errors and ensure accuracy.

Observation 7: CCU's meter reading exception process needs strengthening.

- **Re-reads were not always documented for high usage exceptions.**
- **One meter reading exception was not resolved prior to bill generation.**
- **Zero usage meter readings were not always investigated in a timely manner.**

Recommendation:

Reviewing reads outside certain defined limits prior to bill generation is essential to accurate billing and good customer service. A robust meter reading exception process enables CCU to make the necessary corrections to customer accounts during the current billing cycle before bills are generated and sent to customers. A weak process increases the risk of sending inaccurate billing statements to customers, which can also lower customers' confidence that they are being billed properly.

Best practices for validating meter readings in the high/low review process include the use of predetermined high and low limit configurations whereby the billing system determines consumption variations. In other words, the billing system calculates high and low usage criteria by multiplying the consumption by a predetermined value or factor.

IAD recognizes that staff knowledge is a key factor that should be incorporated in the process. CCU's meter reading exception process in effect during the audit period resulted in minimal inaccurate bills; testing revealed only one case where an inaccurate billing statement was sent to

a customer. However, CCU should enhance their process by leveraging capabilities of the OPUS billing system to increase efficiency and consistency in the meter reading exception process.

R10. We recommend that management explore the options available from the vendor for implementing meter reading exception reports based on system-generated variance limits, to assure consistency in analyzing accounts prior to billing.

R11. We recommend that re-reads are always performed and documented for high usage exceptions. Utility billing and customer service is dependent on accurate information. Staff should always add notes to customer accounts to document and substantiate verified meter readings for high usage.

R12. Management should develop and implement written procedures for addressing the timely resolution of zero usage meter readings to ensure corrective action for potentially faulty water meters. Although accounts may be charged applicable monthly base charges, undetected water usage may result in a potential loss of revenue for water consumption.

Management Response:

In early 2016, the exception process was modified by lowering the exception threshold from 50,000 gallons to 20,000 gallons when comparing the prior monthly usage to the current monthly usage. Based on the current available resources, a 20,000 gallon difference is the largest number of billing exceptions that the division is staffed to examine.

The division will strictly enforce our policy requiring re-reads for all high usage exceptions, including documentation of the findings in the billing system.

Currently, there are two distinct zero usage processes in practice within the Department. The first process captures zero reads associated with equipment malfunctions during transfer and processing of the raw meter read data. These zero reads are currently identified and corrected on individual accounts prior to billing. The second process is the repeated zero usage, which may be the result of an actual physical issue, such as a stuck meter or an unoccupied property. These issues require field investigation and resolution. We will continue to investigate and resolve (if resolution is needed) the repeated zero usage process based on field staff availability.

Status: Implemented

IAD reviewed the report for tracking 'stuck' meters that the Director generates from OPUS, which shows zero consumption for three consecutive months. The Director then sends the report to the Billing Review Coordinator (BRC) to research. The BRC reviews the Hansen system to determine if a recent work order was generated for a 'stuck' meter for the accounts listed on the report. If not, the BRC creates a work order for the field technicians to check for a 'stuck' meter, and if so, to change the meter.

As part of the process, meter readers are instructed to report zero usage in the notes on their hand-held readers. Field technicians indicate on the Hansen work orders when meters were replaced.

Observation 8: The OPUS contract did not contain adequate assurance for safeguarding customer information.

Recommendation:

R13. We recommend that contracts with vendors that operate, collect, process, transmit, store, organize, maintain, or dispose of information for user entities, include that the vendor provide a SOC 2 audit report. Documentation should be provided that assesses the adequacy of non-financial reporting controls for protecting the system's security, availability, processing integrity, confidentiality, and privacy of personal information.

R14. We recommend that management ensures compliance with BOCC Administrative Regulation (AR) 15.07, *Sensitive Data Policy*.

Management Response:

Future agreements will be designed to include requirements for the vendor to comply with County policy, specifically AR 15.07, *Sensitive Data Policy*, by providing an SOC 2 or comparable report. Any deviations from County policy will be reviewed and approved by the County Administrator/designee and/or Board of County Commissioners.

Status: Implemented

The original contract was renewed by the BOCC on 10/23/18 for an additional five-year term, extending the Agreement to November 4, 2023. Item 3 of the Amendment states, "County and Contractor agree that all other terms, condition and pricing of the Agreement and the Amendments thereto are hereby ratified and confirmed and shall continue in full force and effect except as amended herein."

The contract did not specifically reference the requirements for the vendor to comply with County policy, specifically AR:15.07, *Sensitive Data Policy*, by providing a SOC 2 or comparable report. However, the Director stated a copy of the AR 15.07 was provided to the vendor. The vendor submitted a copy of their Red Flags Policy, along with a narrative on their security policies in an email to the Director on October 14, 2019.

AUDITOR NOTE:

The Director and IAD discussed that future contracts should reference the AR:15.07, *Sensitive Data Policy*, and the County's requirements regarding the Red Flags Rule.

Observation 9: Monitoring of OPUS access needs strengthening.

Recommendation:

Monitoring includes verifying and reconciling users and access privileges to detect unauthorized use and access rights that are misaligned. Example: employee moves from one position to another within the Water Resources Department, which changes their duties and OPUS access roles.

Potential consequences if periodic monitoring does not exist:

- Misuse of information
- Identity theft
- Damage to public image
- Legal actions

R15. We recommend regular, periodic monitoring of active OPUS users - not just at the time of separation from employment.

R16. We recommend that management implement a mechanism to prevent OPUS users from accessing their own utility accounts. If this is not feasible, then we recommend that management implement regular monitoring and oversight of any utility accounts belonging to active OPUS users to detect unauthorized activity and transactions.

Management Response:

A new policy has been implemented to require that user access and rights for all OPUS users be reviewed by the Utility Billing and Customer Service Director on a monthly basis.

A new policy has been implemented that restricts customer service staff from performing any transactions on their own account or those of their relatives.

The Utility Billing and Customer Service Director performs an audit on the adjustments that are made by all staff.

Status: Implemented

The Director demonstrated the process in OPUS for reviewing adjustments made by staff. The policy, *Taking a Payment in OPUS*, clearly states, "UNDER NO CIRCUMSTANCES ARE STAFF TO PROCESS PAYMENTS FOR YOURSELF OR AN IMMEDIATE RELATIVE."

The Director has administrative rights in OPUS and is the only county employee with the ability to activate or inactivate user privileges. Each user is set up with role groups best aligned with his/her job responsibilities. The Director routinely checks and updates user access, roles and permissions as county employees are hired, transfer, or terminate.

Observation 10: Account information in the OPUS billing system was not always accurate.

Recommendation:

Incomplete and inaccurate data can lead to disseminating incorrect information to customers and stakeholders, impairing data integrity, and creating unreliable financial information.

R17. We recommend that meter replacement information is entered into the OPUS billing system in a timely manner to reflect an accurate meter history for all accounts. One of the features of the OPUS system is that it has the ability to maintain a complete history of all service activity at a location. CCU should ensure that meter exchange/replacements are documented so that meter reading historical data is reflected accurately in the system.

R18. Management should determine why OPUS did not update refund data on the deposit tab for the six customers who received refunds.

Management Response:

Utility Billing and Customer Service Division staff enters meter change out information into the OPUS system as soon as possible to make the bill statement seamless to the customer. The division recognizes the importance of proper documentation of meter change-outs to maintain the accuracy of historical meter reading data within the system. Occasionally, limited resources may delay this process, but the division will strive to make timely meter change out information data entry into OPUS.

As a matter of clarification, OPUS did update the refund data after the conversion. The six accounts in question were all cases where an active customer individually requested their deposit refund. After staff verified eligibility consistent with code, the funds were released to customers. We have since added a process to manage all postings within both the finance and billing systems to ensure consistency.

Status: Implemented

Completed work orders for replacing meters are returned to the Utility Billing office for updating accounts in OPUS and Hansen. The SOP, *Changing a non-AMI Meter in OPUS*, provides instructions to ensure the meter history is retained. Updating the meter information is given priority, and completed as soon as possible after completed work orders are received.

The Director creates a Pentamation report for refund checks issued to customers, which is then given to staff for posting in OPUS. IAD traced three refund checks from Pentamation to the customers' accounts in OPUS and confirmed those accounts were updated with the information from the refund checks issued by Financial Services.

Observation 11: Explanations for no-reads were not always entered in the OPUS activity log notes.

Recommendation:

Policies and procedures are some of the operational means by which management can control functions within an organization. They help ensure that management directives are carried out. The Division provided standard operating procedures for a multitude of functions and responsibilities. IAD recognizes and commends the Division on their diligence with this key internal control factor.

R19. Management should enforce compliance with the SOP for no-reads.

Management Response:

Management staff has modified our SOP in response to this audit. The current SOP will include associated performance criteria for no-reads to facilitate staff compliance.

Status: Implemented

The SOP was updated, explaining the purpose of associated performance criteria. IAD obtained a May 2018 OPUS report containing 384 meter read issues. Issues varied from high/low reads, usage on vacant accounts, negative reads, no transmission from node, and reads not uploaded.

The comment section of the report indicated the name of the staff entering the information, along with an explanation for the issue, including no-reads, and the action taken to obtain the meter reading. All issues were investigated and resolved in order to release the bill within the proper billing cycle.