

City of
Gainesville

Inter-Office Communication

January 29, 2013

TO: Audit, Finance and Legislative Committee
Mayor Craig Lowe, Chair
Mayor-Commissioner Pro Tem Thomas Hawkins, Member

FROM: Brent Godshalk, City Auditor

SUBJECT: Review of GRU Billing and Collection

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission:

- 1) Accept the City Auditor's report and the response from the General Manager for Utilities, and
- 2) Instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

Explanation

In accordance with our Annual Audit Plan, the City Auditor's Office has completed a Review of GRU Billing and Collection. The primary objective of this audit was to evaluate the system of management control over billing and collection processes related to GRU revenues. During our review, we interviewed key personnel, observed operations, reviewed management controls, and tested selected samples of transactions and supporting documentation.

Based on the results of our review, we believe that GRU has strong management controls in place to ensure that revenues are properly billed, collected and recorded. The attached report provides two recommendations related to billing adjustments and customer invoice processing, which we believe will strengthen the overall process of billing and collecting GRU revenues.

We request that the Committee recommend the City Commission accept our report and the General Manager's response. Also, in accordance with City Commission Resolution 970187, Section 10, Responsibilities for Follow-up on Audits, we request that the Committee recommend the City Commission instruct the City Auditor to conduct a follow-up review on recommendations made and report the results to the Audit, Finance and Legislative Committee.

City of
Gainesville

Inter-Office Communication

December 20, 2012

TO: Bob Hunzinger, General Manager for Utilities
FROM: Brent Godshalk, City Auditor
SUBJECT: Review of GRU Billing and Collection

In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of GRU Billing and Collection. The primary objective of this audit was to evaluate the system of management control over billing and collection processes related to GRU revenues. During our review, we interviewed key personnel, observed operations, reviewed management controls, and tested selected samples of transactions and supporting documentation.

Based on the results of our review, we believe that GRU has strong management controls in place to ensure that revenues are properly billed, collected and recorded. The attached report provides two recommendations related to billing adjustments and customer invoice processing, which we believe will strengthen the overall process of billing and collecting GRU revenues.

Our recommendations for improvement have been reviewed with Bill Shepherd, Customer Operations Director, Kevin Crawford, Financial Analysis and Compliance Manager, and Herbert Firsching, Billing and Collections Manager, during an exit conference on December 19th. I would like to acknowledge their professional courtesy and cooperation during our review.

Please review the attached written report, which documents our audit recommendations and provide a written response within 30 days. Our report, including the management responses, will then be submitted to the City Commission's Audit, Finance and Legislative Committee for review and approval. The next meeting is currently scheduled for January 29, 2013. Until that time, this draft report and your draft response are exempt from Florida's public records law.

Thank you to you and your staff for making this a productive process. Feel free to call me if you have any questions.

cc: Kathy Viehe, Assistant General Manager for Customer Support Services
Jennifer Hunt, Chief Financial Officer
Bill Shepherd, Customer Operations Director
Kevin Crawford, Financial Analysis and Compliance Manager
Herbert Firsching, Billing and Collections Manager

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of GRU Billing and Collection. The primary objective of this audit was to evaluate the system of management control over billing and collection processes related to GRU revenues. Our procedures included interviewing key personnel, observing operations, reviewing management controls, and testing selected samples of transactions and supporting documentation. The scope of our review was generally for GRU revenues billed or collected during fiscal years 2010 and 2011.

As for all of our audits, we conducted this performance 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.

Based on the results of our review, we believe that GRU has strong management controls in place to ensure that revenues are properly billed, collected and recorded. The attached report provides two recommendations related to billing adjustments and customer invoice processing, which we believe will strengthen the overall process of billing and collecting GRU revenues. Each of our recommendations has been discussed with management. These recommendations, as well as management's written response, can be found in the following sections of this report.

BACKGROUND INFORMATION

Gainesville Regional Utilities generally ranks as one of the nation's largest 50 public utilities, according to the Association of Public Power Utilities, with combined utility operating revenues exceeding \$350 million annually. The GRU Customer Operations Department bills and collects revenues for utility services provided to over 90,000 area residential and commercial customers. Utility services billed and collected include electric, gas, water, wastewater, and telecommunications services. GRU also bills and collects refuse and stormwater charges associated with services provided by the General Government.

Billing and Collection

GRU residential and commercial customers receiving utility services are billed using a metered rate system for the majority of services rendered. Meters are installed at a customer's property to capture customer usage of utility services. The service area is divided into routes and portions. Customer electric, water, and gas meters are read by Meter Services staff monthly as prescribed by a state-of-the-art dynamic scheduler. Meter reading results directly affect the amount a customer is billed, so GRU places this in priority by setting accuracy standards for the department and staff responsible for capturing meter readings. Currently, GRU's meter reading accuracy is 99.9%.

Once the meter readings are uploaded into GRU's billing system, customer billing is automatically calculated based on the metered usage, the applicable rates for each service authorized by City ordinance, and any external regulatory fees established by other units of government.

A third-party vendor, Cash Cycle Solutions, configures the customer bill data and transmits the bill to customers daily via mail or email. GRU customers have several payment options and are able to pay either by mail, drop-box, online, in-person, or via an electronic funds transfer. Customer payments are normally applied to their accounts immediately.

ISSUE #1

Billing Adjustments

GRU's Billing Department monitors billing activities in an effort to ensure that accounts are billed correctly prior to being released to customers. Billing staff facilitates special billing, makes rate changes and adjustments, and monitors the number of daily bills sent to customers. Staff also researches and reconciles account issues flagged by the SAP billing system based on parameters preset in the system.

During our review, we noted that billing activities generally had efficient and effective processes to ensure proper monitoring of customer billing. However, we noted the following areas where we believe processes should be strengthened.

Resolving Implausibles

Each morning, Meter Services staff e-mails to the Billing Department the sequence of routes of meters that were read the day before, including any skipped routes. The Billing Supervisor utilizes a route book to assign routes to clerks to research and edit. Clerks download implausible meter readings flagged by the SAP Software system, research customer account history, and determine whether to schedule a reread, make changes without scheduling a reread, or release the account for billing.

A meter reading may be flagged implausible for several reasons, such as a reading being outside of set parameters or out of sequence from a prior meter reading. Clerks document their activities on a spreadsheet by route number, which is then provided to the Billing Supervisor. At month end, the supervisor creates an Activity for Billing Form summarizing the number of activities by type for each employee. While the log displays actions taken by the route number, there is no record of actions taken by actual account number. There were in excess of 5,000 implausibles in September 2011.

Once an account has been edited, the billing system updates the account and the customer's account is released for billing. SAP does not retain a record of implausibles after they have been edited, and SAP reporting capabilities are not in place to query edits performed by staff.

While we observed that staff's process for assigning and documenting the completion of billing edits was good, we noted inconsistencies in how implausibles were edited. The number of accounts scheduled for re-read and the number of accounts edited without a re-read being scheduled varied greatly depending on which clerk edited the routes. This was consistent over a 12 month period. While the edit process involves judgment, specific policies guiding how an account should be reconciled were not in place.

Adjustments

Customer accounts are adjusted by staff for various reasons and are categorized as reversals, transfers, account maintenance, voucher payments, etc. Adjustments are not limited to the Billing Department and may be initiated by GRU staff with specified SAP access. We reviewed documentation of a sample of credit adjustments and noted that documentation was retained and that adjustments were warranted and processed by appropriate personnel. We also noted there was no documentation of management review of adjustments conducted by Billing staff. Additionally, while adjustment activity can be reviewed in SAP, there is no ability to query by staff person.

SAP Reporting Capabilities

The Billing Department is not able to review and reconcile daily billings to determine the grand total of amounts billed, and to verify that adjustments and other totals are billed correctly. The reporting capability is not available in SAP. Historically, nightly batch billing data was obtained by running Financial Summary Transaction Reports under the former CBIS billing system. Billing and other departments do review the number of invoices sent to print; however, financial summaries such as total billing dollars and billing dollars per utility service (i.e. electric, water) are not reviewed daily.

Management is dependent on the SAP billing system to ensure that all accounts scheduled to bill were actually billed. Billing software capabilities providing tools for monitoring billing totals were available in the former CBIS billing system; however, the tools have not yet been identified or implemented into the current billing software system. System limitations prohibit the ability to review billing edits as they are not maintained in the system. Without adequate monitoring controls, adjustments and edits could be applied erroneously or inappropriately to customer accounts without detection.

Conclusion

Adjustments and edits to customer accounts should be monitored to ensure that only appropriate changes are made. Detailed procedures should guide edit and adjustment activities.

Recommendation

We recommend management:

- Explore the potential for the SAP billing system to generate reports of edits made to customer accounts, as well as financial summary reports, which would be used to monitor activities affecting billing.
- Enhance and streamline desktop procedures and training to better direct staff as to how implausibles should be edited. Billing Supervisors should also periodically monitor these activities for anomalies.
- Enhance monitoring procedures over adjustments, such as requiring management approval for adjustments exceeding certain dollar amounts.

Management's Response

- A new tool was recently designed to access our nightly customer data extracts. This new tool, Utilisense, will make reports and queries available to management for audit and monitoring purposes. In the future, Billing will also work with IT to try to include monitoring reports as part of any SAP upgrade.
- The recent addition of a Billing & Collections Manager has alleviated some of the workload formerly maintained by the Billing Supervisor. This allows the Supervisor to more closely monitor work activities, especially with the development of Utilisense. The Supervisor will focus on developing more structured training to include accountability benchmarks and maintaining up-to-date standard operating procedures that are then documented in Confluence (wiki tool).
- Within GRU Billing, adjustments exceeding \$1,000 require Senior Clerk approval and those over \$5,000 require Supervisory approval. When the Utilisense monitoring reports are available, the Supervisor will be able to verify that all adjustments falling within these ranges are properly processed and approved.

ISSUE #2

Customer Invoice Processing

Discussion

GRU contracts third-party vendor, Cash Cycle Solutions (CCS), to process, print, and mail the majority of customer invoices. GRU has worked diligently to develop a prescribed process to ensure that customer bills are sent to customers within 48 hours of meter reading. Nightly, the IT department creates a billing file of customers scheduled to be billed on that portion based on the meter reading dynamic scheduler. IT transmits the file to CCS, who processes and mails bills to customers on the next business day.

In December 2011, IT staff inadvertently placed an old billing file into the directory for invoice processing utilized by CCS, resulting in over 6,000 November 2011 invoices being re-processed and sent to customers. Since CCS does not conduct a quality assessment of the content of the files, they automatically created and mailed the redundant customer invoices.

GRU staff quickly identified the error; notified customers via e-mail, mail and telephone; and sent the correct bills to customers within a reasonable time. However, some GRU resources such as staff time, postage, and envelopes were required to notify customers of incorrect invoices. GRU also posted an official apology on the GRU website.

Conclusion

We believe that additional management controls should be implemented to avoid a reoccurrence of this issue.

Recommendation

We recommend management implement procedures to label bill files appropriately and implement a supervisory review of the daily bill file prior to it being sent to Cash Cycle Solutions for invoice processing. Management should also consider implementing automated controls to prevent incorrect files from being processed by CCS.

Management's Response

The process that sends the bill file to the vendor typically occurs between midnight and 2 AM and is highly automated. The file in question was correctly labeled as out of date, but was manually processed due to planning changes over a holiday. Waiting for supervisory approval before each send could prevent us from meeting our contract specified delivery window. To avoid this type issue in the future, an additional step will be added to change the cutover plans to guard against this type of occurrence. Additionally, as a further safeguard, the automated processes will be modified so that only files that have nominal time indicators within the past hour are sent.