

**WATER DEPARTMENT
DISTRIBUTION AND CONSUMER
SERVICES DIVISION - BILLING
AUDIT 24-13
AUGUST 22, 2024**



City of Tampa
Jane Castor, Mayor

Internal Audit Department

315 E. Kennedy Boulevard
Tampa, Florida 33602
Office (813) 274-7159

August 22, 2024

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Water Department - Billing, Audit 24-13

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Water Department - Billing.

The Distribution and Consumer Services Division has already taken positive actions in response to our recommendations. We thank the management and staff of the Water Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Jean Duncan, Administrator of Infrastructure and Mobility
Dennis Rogero, Chief Financial Officer
Brad Baird, Deputy Administrator of Infrastructure
Rory Jones, Water Department Director
Elias Franco, Water Operations Director
Elizabeth Taylor, Water Business Operations Supervisor
Kendra Goosby, Supervisor-Residential & Commercial Utility Billing
Yolanda Davis, Water Distribution Team Leader
Megan Birnholz-Couture, Assistant City Attorney

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/s/ Rachael Dennis

Senior Auditor

/s/ Vivan Walker

Lead Senior Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

City of Tampa (City) provides drinking water and wastewater services to customers located within the city limits, and parts of unincorporated Hillsborough County and Temple Terrace. Utility billing for the City is managed by the Water Department's Distribution and Consumer Services Division (Division). Most of the City's utility customers receive a consolidated monthly bill for water, wastewater, and solid waste. Solid waste, including trash, recycling, and yard waste pick-up services provided by the City are only available to customers located within city limits, excluding the University and New Tampa areas. The Division reads an average of 156,000 water meters monthly. There are 22 billing cycles every month based on the customer's geographical area. The average billing cycle is between 28 to 32 days.

The Division utilizes Smart Phone Meter Reading System (SPMR) for meter reading purposes. Cayenta is utilized to integrate utility service and billing information, provide users with on-line access to current and historical activity, and generate operational reports. Information from SPMR interfaces with Cayenta daily.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2024 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls over utility billing are adequate.
2. Billing rates in Cayenta charged to customers agree with the approved City Council resolution.
3. Adjustments made to customer accounts are authorized and in accordance with the Division's policy.
4. Performance metrics are accurate and relevant.

STATEMENT OF SCOPE

The audit period covered activity that occurred from January 2023 to June 2024. Tests were performed to determine whether the Division personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Original records as well as copies were used as evidence and verified through observation and physical examination. SPMR and Cayenta were reviewed for data reliability and deemed reliable.

STATEMENT OF METHODOLOGY

The following steps were taken to evaluate the Division's activities as they related to the stated objectives:

- Evaluated core billing activities to assess the adequacy of internal controls.
- Reviewed City ordinance, policies, and procedures related to meter reading and

utility billing.

- Interviewed personnel within the Division.
- Compared utility rates billed to the approved City resolution.
- Selected and tested a sample of adjustments made to customer accounts for proper authorization.

The following steps were performed to determine the accuracy and relevance of metrics reported:

- Identified SPMR software as source for metrics reported.
- Reviewed data reliability testing for SPMR generated data.
- Traced reported data to SPMR to determine accuracy.

STATEMENT OF AUDITING STANDARDS

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.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls over utility billing needs to be improved.
2. Billing rates in Cayenta charged to customers agreed with the approved City resolution.
3. Adjustments made to customer accounts were authorized.
4. Performance metrics are accurate and relevant.

UNBILLED CONSUMPTION

STATEMENT OF CONDITION: As of June 27, 2024, there are 1,835 closed accounts with active water consumption and no billing.

CRITERIA: City Ordinance Chapter 26-31a states that “there shall be no free service rendered for any utility service provided by the City.”

The Division’s policy states that they shall “identify locations with unauthorized water usage and send written notification to both the location and owner of record, if known, advising of the City of Tampa Water Department’s knowledge of unauthorized use. In conjunction with the customer, verify/establish a customer of record and any appropriate back billing for charges... discontinue water service to the location if a utility account is not established.”

CAUSE: Division Management (Management) prioritizes field verifications and investigations. Priorities are based on several drivers such as safety, revenue, and impact to the community, or other customers to maximize the return on the limited resource pool. Investigations on unbilled consumptions has not been a high priority.

EFFECT OF CONDITION: Potential loss of revenue to the City. For example, total water consumption on closed accounts from account closures dates to June 27, 2024 is 1,036,366 CCFs. Using today’s lowest consumption rate of \$3.02, loss of revenue on consumption charges is estimated at \$3.1 million excluding the wastewater and monthly base charges.

RECOMMENDATION 1: Management should implement the approved policy and comply with City code.

MANAGEMENT RESPONSE: Management agrees that there needs to be additional resources dedicated to keeping up with the investigations needed in order to validate whether the account is truly on illegally, our records are not current because of changes to the configurations in the field whereby previous accounts billed are now being billed differently, there are no duplicates, or the consumption registered is a potential leak at an abandoned property. Dedicated resources focused on this particular part of our operations will allow us to be in compliance, and have an accurate account of revenue impacted.

TARGET IMPLEMENTATION DATE: Division management is prepared to request the repurposing of up to 3 positions for the purpose of dedicating the resources to a structured program with tighter controls. Until such time that we can obtain approval and onboard the resources, we will reassign 3 existing resources from our current staff to begin the investigations effective immediately.

LEAK ADJUSTMENTS

STATEMENT OF CONDITION: There were 3,255 customer accounts with leak adjustments processed from January 2023 through May 2024. A sample of 40 accounts (25 selected using Excel software and the criteria of 90% confidence and 10% error rate and 15 selected judgmentally) were reviewed to determine compliance with applicable Division policies. The 15 accounts selected judgmentally was because the initial sample did not include any employee-customer accounts or accounts with multiple leak adjustments. Note: one account selected was a miscellaneous adjustment not due to a leak.

Ten (26%) of 39 applicable customer accounts reviewed identified inconsistencies with information provided to customers of their eligibility for another leak adjustment. Letters reviewed did not use the same “date” when determining eligibility. Eligibility was based on 12 months from the original leak date, or submission of the leak adjustment request form, or the credit memo date.

It was also observed that one customer was issued an incorrect credit amount for their leak adjustment. Documentation approved by the Supervisor showed the customer was granted an adjustment of \$127.39 which was communicated to the customer. However, the credit processed in the customer’s account in Cayenta was for \$115.35.

CRITERIA: Manual processes are slower and less accurate and could result in errors. The Division’s policy titled “Adjustments-Leaks on Private Property Policy,” states that “a maximum of one leak adjustment per 12-month period per account will be made.” Additionally, the same policy defines how leak adjustments are to be calculated.

CAUSE: Calculation and approval of credit/adjustments to customer accounts is performed manually outside of Cayenta. The Division’s policy on leak adjustments is not being consistently applied.

EFFECT OF CONDITION: Customers may receive incorrect adjustments. Customers may receive more than one adjustment in a 12-month period.

RECOMMENDATION 2: The adjustment process should be streamlined. Periodically, Management should review Cayenta to ensure that the approved adjustments agree with what posted in Cayenta. Also, the date(s) of the previous adjustment should be included in the paperwork routed for approval to alert the approving manager on multiple adjustments processed within a year. Management should define how the 12-month period is determined for adjustment eligibility so the policy can be consistently applied.

MANAGEMENT RESPONSE: Management agrees with the need to more clearly define and update the SOP regarding leak adjustments and retrain staff for consistency. In addition, automation of the calculation process as well as supplemental reporting for division leadership auditing purposes as described below will require assistance from our Technology and Innovation team in order to accomplish this.

Recommended improvements:

The SOP will be revised to include an additional statement for clarification. Section 3.0 (B) will read:

- “A maximum of one leak adjustment per 12-month period per account will be made using the date of the previous leak adjustment posted on the utility account as the date of reference “
- A request will be forwarded to the Technology and Innovation team to revise the existing Cayenta Leak Adjustment Report to so that the calculations for a leak adjustment for all rate classes can be automated. This new electronic document/portal will include the previous adjustment date. In addition, a request will be made to create an after the fact audit report that lists all adjustments processed so that division management can still review what has been processed/approved at various approval thresholds.

TARGET IMPLEMENTATION DATE:

- The SOP will be revised, circulated, and covered with staff by August 5, 2024.
- The changes referenced above as requiring assistance from Technology and Innovation, will need to be discussed with them, designed, tested, and implemented with a “high priority” designation. We will complete this automation no later than April 2025. Until such time that the changes are in place, staff will continue to perform the functions manually with the existing paper forms incorporating the more clearly defined “date of last adjustment” reference.