



AUDIT HIGHLIGHTS

Utility Billing

January 17, 2019

Audit Report No. 1910

WHY WE DID THIS AUDIT

An audit of Utility Billing was included on the City Council-approved fiscal year (FY) 2018/19 Audit Plan. The audit objective was to evaluate the effectiveness and accuracy of Business Services' water, wastewater and solid waste billing services and billing system controls. The audit scope encompassed Utility Billing transactions recorded from July 2017 through September 2018.

BACKGROUND

The Utility Billing program, part of the Business Services department within the City Treasurer's Office, is funded by the Enterprise Funds of the utility operations.

Utility Billing staff use the NorthStar billing system to generate monthly customer bills for the City's approximately 100,000 customers. Billings for water, sewer and solid waste usage are processed daily based on the City's meter reading and other information.

The City Council authorizes the rates that City utility departments charge customers for services provided. Utility department directors are authorized to establish special rates for unusual or unique situations not expressly covered in code.

Water services represent about 61% of the City's \$180 million utility account charges for FY 2017/18, with sewer, solid waste, and reclaimed water charges making up nearly all the remaining amounts.

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WHAT WE FOUND

A small portion of account entries were not properly authorized, calculated or entered.

While most transactions were properly authorized and applied correctly, Utility Billing did not prevent or detect some errors. For example, we found:

- Of 41 transactions tested, 5 accounts were not charged correct rates for commercial solid waste services.
- Out of 765 UB Communicator transactions, 8 roll-off orders were applied to the wrong account, incorrectly billed or not billed.
- The billing reconciliation between NorthStar and the general ledger was not effective.

Some NorthStar billing rates did not match those authorized in City Code.

Specifically, we found:

- 115 of about 2,700 commercial solid waste customer rates did not match Council-approved rates. The majority were attributed to past negotiated or special rates and others to incorrect account information.
- Thirty-two of 33 Paradise Valley customer accounts were overcharged for out-of-city sewer surcharges, totaling approximately \$14,000. The surcharge was not applied to one account, underbilling about \$190.

NorthStar segregation of duties controls can be improved.

Staff in other areas, including Water and Remittance Processing, have system access to adjust billings. Eleven of the 25 tested entries had minor calculation errors or were missing supporting documentation.

WHAT WE RECOMMEND

We recommend Business Services management ensure Utility Billing:

- Develops a formal quality control review process to help identify entries with incorrect amounts, calculation errors, or insufficient documentation.
- Takes reasonable steps to verify that the department-provided billing rates agree to the Council-authorized rates or special rates approved by the department director.
- Limits account adjustment access for employees with incompatible duties or ensures management review of those entries.

MANAGEMENT RESPONSE

Business Services management agreed with the audit recommendations.