



WATER BILLING AND COLLECTIONS AUDIT

CITY UTILITIES COMMITTEE

JANUARY 16, 2024

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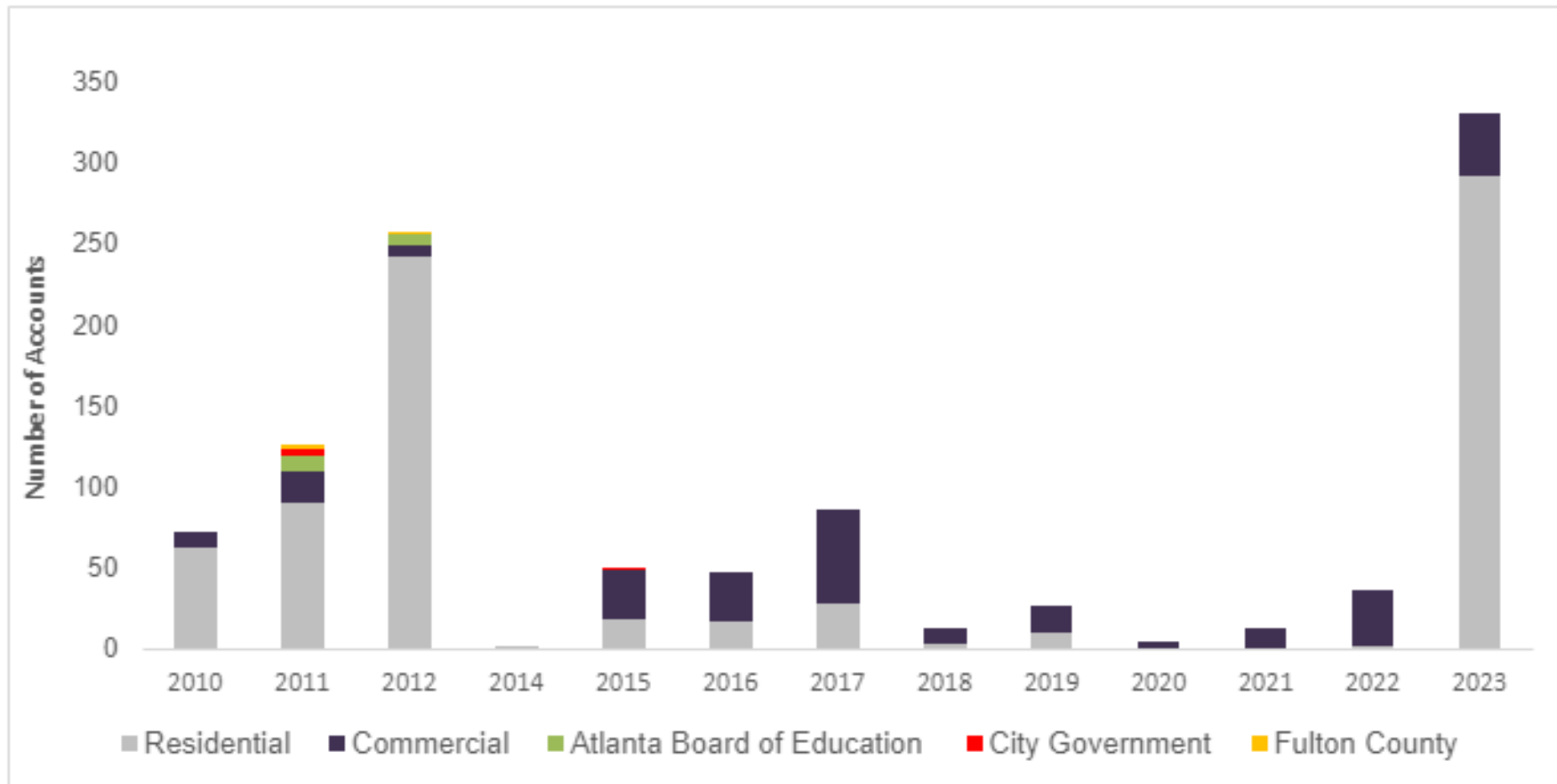
OBJECTIVES

- Is the Department of Watershed Management following standard practices for water billing and collecting?
 - Is the Department of Watershed Management meeting AWWA standards for billing estimation?
 - Is the Department of Watershed Management following department and city policies regarding adjustments?
- Is the Department of Watershed Management conducting legislative and administrative write-offs as required by city code?

FINDINGS OVERVIEW

- Watershed Management has not consistently enforced water shutoffs for nonpayment since 2010
- The total delinquent account balance is \$197.8 million
- Write-offs have not been routinely completed since January 2017
- The department's monthly bill estimation rate is higher than industry benchmarks
- A-bills (a type of billing adjustment) of less than \$5,000 do not require supervisory review or approval
- The department's standard operating procedures are not up-to-date

WATERSHED MANAGEMENT DISCONTINUED ROUTINE SHUTOFFS



Source: Developed by auditor based on shutoff data report provided by Watershed staff

BALANCE OF ACTIVE DELINQUENT ACCOUNTS REACHED \$137 MILLION IN JUNE 2023

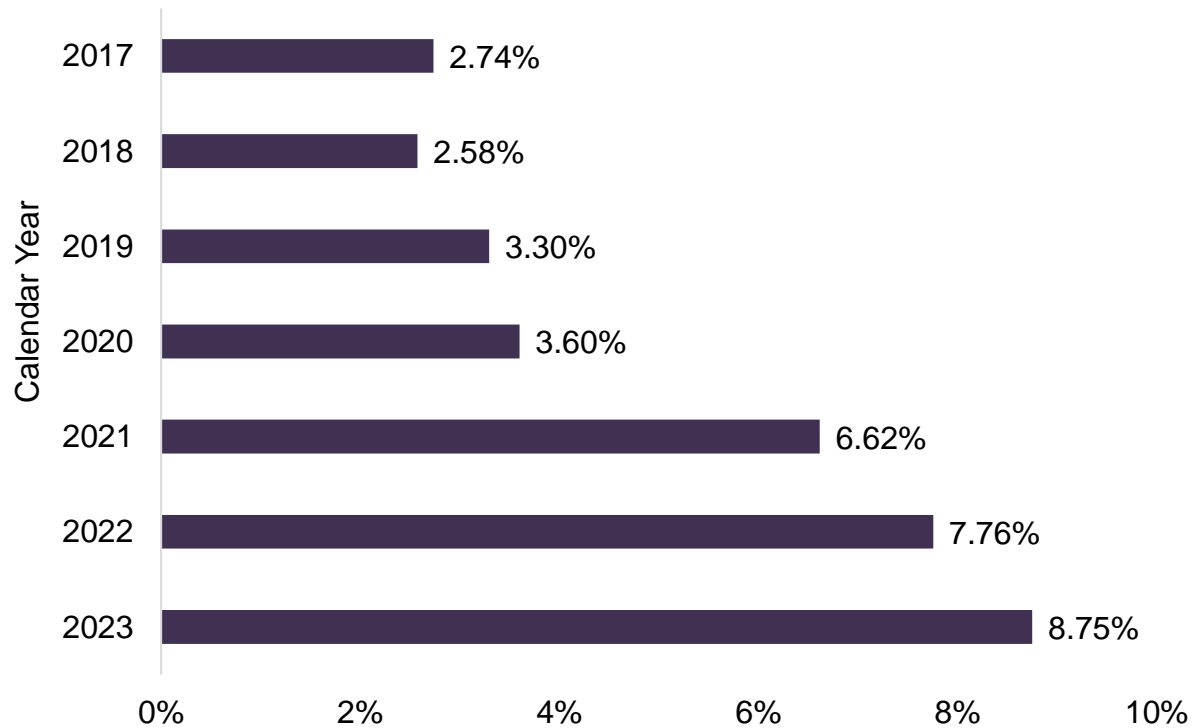
Delinquent Accounts > 30 Days Arrears	# Accounts	Amount in Arrears
Active	35,731	\$137,052,991
Inactive	16,980	\$60,046,903
*Other	1,340	\$723,857
Write-off	254	\$130,484
Pending	21	\$83,634
Vacant – Shut Off	837	\$165,086
Final	190	\$300,370
Collection	1	\$2,271
Never Active Interim	37	\$42,012
Total	54,051	\$197,823,751

*Note: “Other” status comprises write-off, pending, vacant-shut off, final, collection, and never active interim
Source: Developed by auditor based on accounts receivables data report provided by Watershed staff

UNTIMELY COLLECTION EFFORTS LEAD TO INCREASED WRITE-OFFS

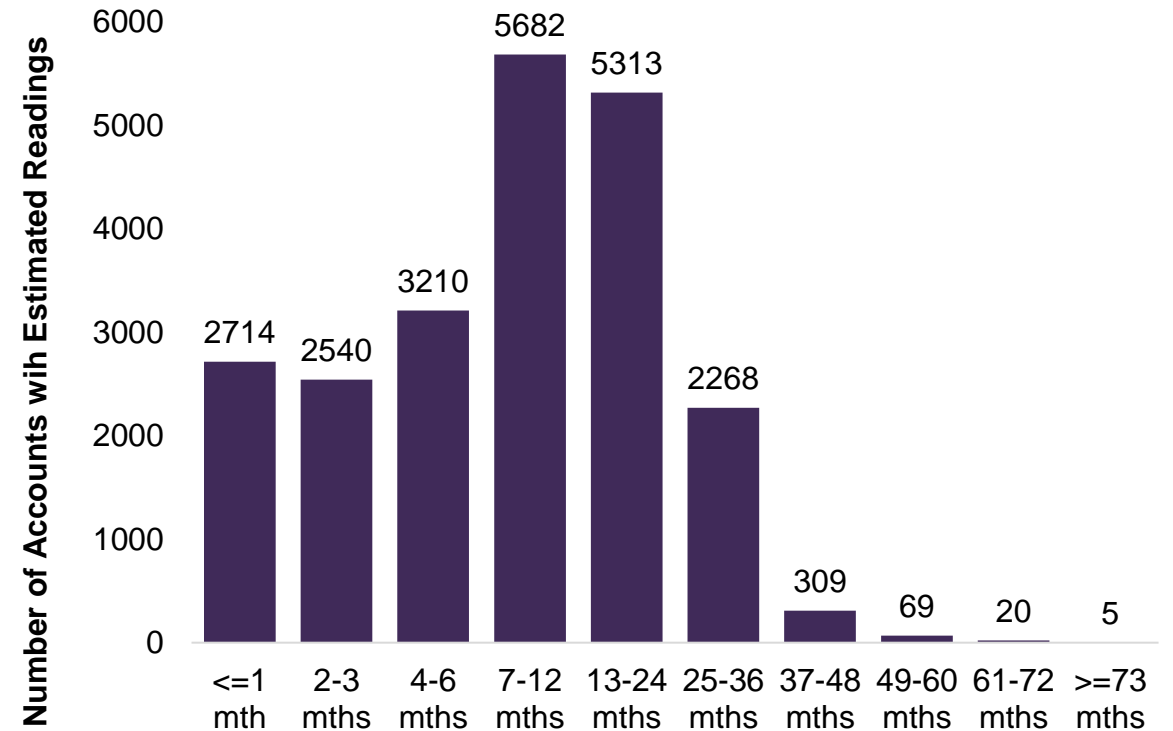
- City Ordinance No. 90-O-1324 allows the CFO to administratively write off debt once Watershed has demonstrated that all efforts to collect on the debt have been exhausted and if the account's balance does not exceed \$10,000.
- Staff told us the department plans to administratively write-off \$9,865,166, representing 9,630 accounts and request legislative write-off of \$31,866,975 representing 1,216 accounts as of May 2023.

BILLING ESTIMATION IS SIGNIFICANTLY HIGHER THAN INDUSTRY STANDARDS



Percentage of Estimated Reads as of May 2023

Source: Developed by auditors based on estimated bill report provided by Watershed staff



Number of Consecutive Months Estimated

Source: Developed by auditors based on enQuesta report provided by Watershed staff

CUSTOMER ACCOUNT ADJUSTMENTS NEED ADDITIONAL OVERSIGHT

- City code allows Watershed Management staff to adjust customer bills for billing errors, fees, customer property leaks, and meter leaks, but requires customer property leak adjustments over \$5,000 for the water portion to be approved by City Council
- According to city code, leak adjustments are limited to one adjustment of up to two billing periods within a rolling 12-month period.
- Between July 2020 and June 2023, 47 different employees across nine divisions of Watershed Management entered A-bills

CLEARER POLICIES AND PROCEDURES WOULD IMPROVE CONSISTENCY

- We reviewed the billing and collections procedures and found that several documents are in draft form or undated, and others do not reflect current practice.
- Some collections procedures are dated for 2015 and staff appear unaware of assigned duties.
- Some billing and collections standard operating procedures are outdated or do not indicate creation dates.
- Some processes, such as the write-off process, do not appear to align with current practices and staff told us that some procedures have not been updated in 10 to 15 years

RECOMMENDATIONS

1. develop and publish on the department's website a delinquency policy that includes the timeframe for termination as well as any fees, and necessary actions taken by the department and customer
2. enforce water service termination due to nonpayment in compliance with the department's delinquency policy and publish a delinquency policy that includes the timeframe for termination
3. design and implement a collection strategy that includes policies and procedures for collections, termination of service, and write-offs
4. write off uncollectible debt in accordance with law and policy

RECOMMENDATIONS

5. hire enough staff to maintain or replace infrastructure and consider using a contractor to handle the backlog of escalated requests.
6. implement an A-bill adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts and restrict access to create A-bill adjustments to the billing and CAST teams.
7. develop, document, and maintain up to date policies and standard operating procedures for billing and collection tasks and processes.

QUESTIONS?

Full Report:
Water Billing and Collections Audit