

MUNICIPALITY OF ANCHORAGE



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**Internal Audit Report 2010-13
Customer Information System
Anchorage Water and Wastewater Utility**

Introduction. Anchorage Water and Wastewater Utility (AWWU) is the largest water and wastewater utility in Alaska. It serves Anchorage, Chugiak-Eagle River, Peters Creek, Eklutna and Girdwood. The Customer Service Division (Division) at AWWU provides billing and collection services for 55,044 water and 55,859 wastewater residential, commercial, and military customers within the Anchorage area. Customer bills are produced monthly in four cycles by a customer information system called Customer Suite. Anchorage Water and Wastewater Utility has been using Customer Suite since 2007 and upgraded it in April 2010.

Objective and Scope. The objective of this audit was to determine whether AWWU had proper procedures and controls to ensure that customers were properly billed and account receivables were properly collected and deposited. Specifically, we selected and reviewed monthly statements to determine if billing categories and rates complied with the AWWU Tariffs. We reviewed whether customers receiving services were properly billed. In addition, we selected and reviewed aged accounts receivable to determine whether appropriate collection actions had been taken. We also reviewed whether AWWU handled customer deposits in compliance with the AWWU Tariffs.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of September through October 2010. The audit was requested by the Administration.

Overall Evaluation. Our review found that the Division generally had proper procedures and controls to ensure customers were properly billed and account receivables were properly collected and deposited. We also found that customer deposits were handled in compliance with the tariff.

However, an incorrect meter rate was used in Customer Suite resulting in a total overcharge of \$10,014 since January 2010 to some customers. In addition, Division staff added the Regulatory Cost Charge to non-recurring water charges in 18 of 19 service orders we reviewed. Finally, AWWU did not reconcile the plant database to the Customer Suite database.

FINDINGS AND RECOMMENDATIONS

1. **Incorrect Meter Rate Used.**

- a. **Finding.** An incorrect meter rate was used in Customer Suite. As a result, AWWU overcharged some of its customers a total of \$10,014 since January 2010. Specifically, Division staff loaded a meter rate of \$6.27 into Customer Suite, instead of the approved rate of \$5.27 contained in AWWU's Water Tariff.
- b. **Recommendation.** The Division Director should ensure that the rate loaded into Customer Suite matches the AWWU Water Tariff rate. In addition, refunds should be issued for the overcharges.
- c. **Management Comments.** Management stated, "Concur. One incorrect meter rate was used in the Customer Suite billing system affecting 1,203 accounts from January 1, 2010 through October 6, 2010. This rate was a \$1.00 error per meter per month. The total dollar amount including all customers was \$10,010. Adjustments were made to all affected accounts and were reflected in their October, 2010 bill statement. Any future rate change will be double checked for accuracy between the Information Technology and Customer Service Divisions."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Regulatory Cost Charges Added to Non-Recurring Water Charges.**

- a. **Finding.** Our review of 19 closed service orders revealed that Division staff added the Regulatory Cost Charge to non-recurring water charges in 18 of the 19 service orders. The AWWU Water Tariff states, “The Regulatory Cost Charge is...applied to all regulated retail customer billings for recurring monthly service to pay the utility’s share of the budget of the RCA.” In addition, the practice of adding the Regulatory Cost Charge to the non-recurring water charges was not consistent. Some account representatives added the Regulatory Cost Charge to non-recurring water charges, but one account representative did not add the charge.
- b. **Recommendation.** The Division Director should ensure the Division’s billing practices comply with the AWWU Water Tariff.
- c. **Management Comments.** Management stated, “Concur. AWWU has made a filing with the Regulatory Commission of Alaska (RCA) requesting approval of a change in the tariff of the Anchorage Water Utility (AWU) to provide consistency in the description of the application of the Regulatory Cost Charge (RCC) to customer bills between the tariffs of AWU and the Anchorage Wastewater Utility (ASU).

“AWWU’s proposed tariff change adopts the language regarding RCC contained in the tariff of ASU at Rule 13.9 into the AWU tariff, replacing the current language contained at Rule 13.2, Schedule G. AWWU believes that this change is appropriate and supported by 3 AAC 47.050 which describes calculation of the amount of RCC due from AWWU to the State of Alaska on a quarterly basis as ‘...calculated by applying the regulatory cost rate...to the...amount of adjusted gross regulated

operating revenue from bills...’ AWWU anticipates RCA approval of this requested tariff change no later than mid-February, 2011.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **No Reconciliation Between Plant Database and CIS Database.**

- a. **Finding.** AWWU did not reconcile the plant database to the Customer Suite database. As a result, there was no assurance that all premises were billed. For example, our review of 20 premise numbers with no billing history found that two had duplicate premise numbers. In addition, according to Division staff, it is possible for AWWU’s Permit staff to close a permit for new construction without creating a premise number that is required to bill the customer.
- b. **Recommendation.** The Division Director should develop a reconciliation process to make sure the plant database matches the CIS database.
- c. **Management Comments.** Management stated, “Concur. Customer Service Division developed a Standard Operating Procedures (SOP) to ensure that a premise is always created before a permit is closed out. Field Services Permit Technicians will use this document when processing water and wastewater permits or modifying/creating new premises. This SOP was implemented December 7, 2010 and will ensure that the plant database matches the CIS database.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on November 10, 2010.

Audit Staff:
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