



623 Garrison Avenue
Room 310
Fort Smith, AR 72901
Phone: (479) 784-2271
tshockley@fortsmithar.gov

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City of Fort Smith Board of Directors
SUBJECT: Project Concern – Utility Assistance Program Audit

Background

Project Concern is the City of Fort Smith's utility assistance program. The program first began in 1983 and was designed to offer relief to qualified applicants by reducing the amount of their city utility bills.

The program is administered by the Water Utilities Communications & Training Department (Communications). While Communications is primarily responsible for the administration of the program, Citizen Services plays a key role in the maintenance of the utility billing system and Utility Analytics plays a key role in recording data and providing information to Communications for Project Concern monthly reports and maintenance of the Project Concern Tracker.

Before the program was put under the administration of Communications, participants were not monitored to ensure that they reapplied every year as specified in the guidelines set forth in Ordinance No. 78-83. Communications established a process to monitor/track all participants and ensure that each participant reapplies for the program each year.

Communications receives the applications and verifies the applicant's qualifying information. If the applications pass all the required qualifications for approval, Communications forwards the applications to the Deputy Director of Business Administration for approval. If the application does not meet the required qualifications for the program the application is denied.

Communications notifies the applicants of the status (approved or denied) of their application in writing.

Communications sends Citizen Services a weekly Data Entry spreadsheet with the accounts that have been approved and should have the discounts applied to the customer's account. The weekly Data Entry spreadsheet also includes any accounts that should have the discounts removed. Discounts are removed when the current discount period (12 months from approval) expires or when a customer moves from that account. When Citizen Services has updated all the accounts listed on the spreadsheet, they will notify Communications that all updates have been completed. Communications also sends Citizen Services a monthly Error Report with the

accounts that have been identified as having the Project Concern low-income discounts but are not currently approved. Again, Citizen Services notifies Communications when all the errors have been corrected.

Communications has a written SOP for the Project Concern application review and a written Job Guide for the Project Concern Monthly Report. Citizen Services does not have a written SOP for the processes that they perform for Project Concern. IA requested to meet with Utility Analytics to review the process that they perform but IA did not receive a response to the request. Therefore, IA was not able to review the process and identify the risk regarding Project Concern processes performed by Utility Analytics.

During testing, IA identified that some of the accounts/customers in the Barling sewer service area are not being billed at the Barling low-income sewer rates. The Barling sewer service area is the area of Fort Chaffee where the sewer is discharged into the Barling sewer treatment system. For billing and accounting purposes, the accounts in the Barling sewer service area were put into two read routes. All accounts in these two routes should have Barling sewer volume rate charges. Additional testing identified that there are 71 accounts that are not billed at the Barling sewer rates. In February 2023, IA issued a memorandum to the Utilities Department identifying 61 accounts that had an incorrect sewer volume service charge. None of the 61 accounts have been corrected. This is important because the report that Citizen Services runs to determine the portion of billed sewer charges that are due to the City Barling does not include those accounts with the incorrect sewer volume rate charge code. Whether the City is charging the Barling sewer rates or Fort Smith sewer volume rates, Barling should be receiving 75% of the sewer volume charges billed as required by the Barling-Fort Smith agreement (Barling Water Contract Wholesale). The current report does not include all sewer services billed in the Barling sewer service area. Therefore, The City of Barling is not receiving the full 75% of sewer services billed.

Findings and Recommendations

- The Project Concern Application drop box is not secure.

Communications receives Project Concern applications through mail, email, and from a drop box located in the lobby of the collections department. The drop box is secured by lock only, which only prevents someone from accessing the box and removing applications. The box is not secure and could be easily removed from the lobby. The Project Concern applications contain personal financial and other personal sensitive information.

Recommendation: Management should ensure that the Project Concern application drop box is secured by mounting it to a surface or moving the drop box behind the collection's windows.

Management Response:

Water Utilities Communication staff will ensure that the Project Concern application drop box is securely mounted as recommended.

Responsible: Communications & Training Manager

Implementation Date: 4/1/2024

Assessment of Managements Responses:

Management's response, as presented, sufficiently addresses the issue identified.

- The Project Concern Summary Report is inaccurate.

The Water Utilities Job Guide for the Project Concern Monthly Report indicates that Utility Analytics sends a monthly participation/cost spreadsheet to the Communications & Training Manager. The file IA received from Communications contains a tab with the monthly summary and a tab with the participants titled "Customer List" among other informational tabs. IA requested several times a meeting with Utility Analytics and did not receive a response to the request and therefore unable to conclude or test the source of the data. However, IA was able to test the data provided in the Customer List.

IA tested four (4) of the twelve (12) Customer Lists from Project Concern Cost reports provided by Communications. IA identified the following:

- The customer list contains duplicate customers.
- The customer list contains customers that did not receive the program discounts.
- The customer list does not include some accounts that did receive the program discounts.

- Customers were billed for the same type of service twice on one bill. For example, the customer was billed the full rate for the water base and was also billed the discounted rate for the water base.
- Customers were not billed for some of the services. For example, the customer's bill shows two separate sewer volume charges with both billed at \$0.00 and there was usage on the sewer service.
- Some of the customers in the Barling sewer service area did not receive the Barling Low-Income sewer rate.

The count of participants (customer list) is included in the monthly Management Reports. The above information indicates potential errors in customer counts and therefore, the counts reported to Management may be incorrect. The amounts/cost/savings reported in the monthly summary report may also be incorrect because they may include the duplicate customers, may or may not include duplicate charges, may include charges billed at the full rate, and may not include charges for the accounts that billed at the low-income rate but were not on the customer list.

Recommendation: Management should review/implement a written procedure for the processes used to generate the Project Concern Summary Report to ensure accurate data is reported to management. Management should randomly select samples from the report to verify the information is correct and documented correctly.

Management Response:

Upon reviewing the customer list for duplicates, Analytics identified a few instances caused by an oversight in the process for removing blanks. Last year, a total of 18 duplicates were reported. Water Utilities has since updated the procedures, ensuring this issue won't recur.

Water Utilities reporting system only includes customers billed under low-income charge codes for the respective month. Even if a customer has recently left the program but had previously received discounts, they'll still appear in the reporting until the charge codes are deactivated from their account.

Where customers were billed twice for the same service on one invoice, this has occurred previously due to the full-cost rate not being deactivated when the low-income rate was applied. It can also appear as double billing when a customer transitions to a new account, where they're billed for both the final service on the old account and the initial service on the new one, typically around the same time based on their move-in or move-out dates.

Responsible: Deputy Director of Business Administration

Implementation Date: 5/1/2024

Assessment of Managements Responses: Management's response, as presented, does not sufficiently address the issues identified. IA presented six items that contribute to the inaccuracy of the Summary Report. Management responded to two of the six items.

Management's response that the "Water Utilities reporting system only includes customers billed under low-income charge codes for the respective month" is inaccurate. The Tyler-Munis system pulls the current charge codes from the account regardless of what the charge code was at the time of the cycle bill run. Accounts where the service charges were changed after the account was billed and the report was generated after the changes, those accounts now show the new service charge on the report.

Management's response that "where customers were billed twice for the same service on one invoice, this has occurred previously due to the full-cost rate not being deactivated when the low-income rate was applied" is not complete. This also occurs when the low-income rate is not deactivated when the full-charge rate is applied.

Management's response that "It can appear as double billing when a customer transitions to a new account, where they're billed for both the final service on the old account and initial service on the new account" is inaccurate. The settings in the Tyler-Munis system does not allow for a new account to bill until after 30 days of their start date. Therefore, a customer would not receive a final bill on the old account and an initial bill on the new account during the same month. IA did not include transactions for outstanding balance transfers from the old account to the new account.

- Communications and Citizen Services are not following the procedures outlined in the Water Utilities SOP for Project Concern Application Review.

The Communications SOP indicates that the data entry list is provided to the Citizen Services Manager for approvals and cancellations. The SOP indicates that the Citizen Services Manager will ensure the utility billing system is updated timely for approved applicants and will remove the discounts in the billing system when participation is canceled. However, during the process walkthrough with the Citizen Services Account Tech., IA found that the Citizen Services manager does not play an active role in the Project Concern process. The Citizen Services Manager is copied on the email from Communications to the Citizen Services Accounting Technician. The Citizen Services Accounting Technician adds or removes the discounts from the accounts and notifies Communications when the updates have been completed. Additionally, there is not written SOP for the process of adding discounts to or removing discounts from accounts. Furthermore, there is no written SOP or no current process in place for another employee to verify that the accounts are correct after the discounts have been added or removed.

Recommendation: Management should review the SOP for the Project Concern Application Review and determine whether updates are necessary. Management should ensure that staff are following the procedures outlined in the SOP. Additionally, there should be a written procedure for the processes Citizen Services performs. Additionally, management should randomly select accounts to verify that discounts have been added or removed correctly.

Management Response:

The Project Concern Application Review SOP will be updated to explicitly state that the Citizen Services Manager is responsible for assigning and supervising Project Concern data entry tasks. Communications is currently reviewing the Project Concern Application Review SOP to incorporate any necessary revisions, including weekly reviews of previous data entry and error lists before transmitting further lists to Citizen Services. The SOP for Citizen Service’s portion of this process (data entry) will be reviewed, revised if needed, and implemented more thoroughly in the process moving forward.

Responsible: The Communications & Training Manager and Citizen Services Manager

Implementation Date: 4/1/2024

Assessment of Managements Responses: Management’s response, as presented, sufficiently addresses the issue identified.

- Customers are not receiving the correct low-income charges as set up in the Utility Billing System (Munis) rates.

IA identified accounts in the Barling sewer service area that are not receiving the Barling low-income sewer volume charge rate. Those accounts are receiving the Fort Smith low-income sewer volume charge rate.

Recommendation: Management should consider revising the Utility Assistance program to exclude the sewer volume charges for the Barling sewer service area because the full Barling sewer volume rate is less than the discounted rate that other Project Concern participants receive.

Management Response:

The Analytics team will conduct a comprehensive review of the accounts to identify all relevant accounts eligible for the Barling Sewer Low Income Rate. Citizen Services will implement necessary changes to rectify these accounts accordingly. We will also conduct a review of the Standard Operating Procedure (SOP) with Citizen Service’s staff to ensure proper application of low-income rates going forward.

Responsible: Deputy Director of Business Administration

Implementation Date: 5/1/2024

Assessment of Managements Responses: Management’s response, as presented, sufficiently addresses the issue identified.

- Customers in the South Sebastian (SSCWA) area are not receiving the low-income water volume rate for that area.

The City of Fort Smith Code of Ordinances, Article IV, section 25-92. Availability. “The program is available to those utility customers who are natural persons and who use utility services solely for residential purposes.” IA interprets this to mean any utility customer that directly receives a utility bill from the City of Fort Smith.

IA identified that accounts in the SSCWA area did not receive the low-income water volume charge rate. The SSCWA low-income water volume charge rate was not set up in Munis until December 2023. There are three accounts in the SSCWA area that are currently receiving the low-income water base charge, however, only one of the three accounts is currently receiving the low-income water volume charge rate.

Additionally, there are different rate schedules for accounts before 10/25/1999 (pre-99) and accounts after 10/25/1999 (post-99) in the SSCWA area. However, only one low-income rate was added to Munis for both pre-99 accounts and post-99 accounts. The rate schedule for 2-inch and 3-inch services is the same as those accounts that are post-99. The account that is currently receiving the SSCWA low-income rate is correct. The current rate tables for 13601 – LSC2, LSC3, and LSR2 are incorrect.

Recommendation: Management should determine whether the customers in the SSCWA area are eligible for Project Concern or not based upon the language in the ordinance. If Management finds that those customers are eligible for Project Concern, then Management should ensure that the rate tables are correct that the accounts that are currently approved are receiving the appropriate discounts. If management concludes the customers in the SSCWA area are not eligible for Project Concern, the ordinance language should be revised to clearly identify that Project Concern is for Fort Smith residents only, even though SSCWA residents receives a bill directly from utilities.

Management Response:

SSCWA are not living or located inside the City of Fort Smith city limits. SSCWA should not be eligible for Project Concern as they are technically not citizens of Fort Smith, for whom the program is meant to help.

Management will discuss with City Administration and if needed, will change the ordinance to better reflect this fact.

The Analytics team will conduct a comprehensive review of the accounts to identify all relevant accounts in the SSCWA that have been given the Project Concern rate. After discussion with City Administration, Citizen Services will implement necessary changes to rectify these accounts

accordingly. We will also conduct a review of the Standard Operating Procedure (SOP) with Citizen Service's staff to ensure proper application of low-income rates going forward.

Responsible: Director of Water Utilities
Implementation Date: 5/1/2024

Assessment of Managements Responses: Management's response, as presented, sufficiently addresses the issue identified.

- Citizen Services does not have a written SOP for Project Concern processes.

Citizen Services is responsible for updating customer accounts when they become eligible for Project Concern and when customers are no longer eligible.

IA identified that some customers are billed twice for the same type of service, are not billed for some services, do not receive discounts on all eligible services, and do not receive the correct discount. A written procedure and a check list could prevent errors in adding and removing Project Concern discounts. Especially for those accounts within the Barling sewer service area and the SSCWA area.

Recommendation: Management should ensure that written procedures are in place for the processes that are performed by Citizen Services for Project Concern. The written procedures should include a verification step to ensure that the services have been updated correctly. Additionally, management should randomly select accounts to ensure services are billed correctly and proper discounts have been added or removed from the account.

Management Response:

Water Utilities acknowledges the importance of having clear written procedures for the processes executed by Citizen Services for Project Concern. While there is an existing data entry Standard Operating Procedure (SOP) in place, Water Utilities will ensure updates are made to further guarantee that accounts are updated accurately. These updates will include the incorporation of a verification step to confirm the correct application of services.

Water Utilities management will implement random audits of accounts to verify accurate billing and the proper addition or removal of discounts. This will help ensure the integrity of the processes and the accuracy of billing for Project Concern services.

Responsible: Citizen Services Manager
Implementation Date: 5/1/2024

Assessment of Managements Responses: Management's response, as presented, sufficiently addresses the issue identified.