

 City of Fort Smith 623 Garrison Ave P.O. Box 1907 Fort Smith, AR 72902		Billing Questions: myutilitybill@fortsmithar.gov Water/Sewer Questions: (479) 784-2262 Sanitation Questions: (479) 784-2350 After Hour Emergency: (479) 784-2342 Pay your bill online, visit accounts.fortsmithar.gov					
Customer Name			Service Address				
Bill Number	Bill Date	Account Number - Customer ID (CID)			Current Billing Due Date		
2301657	11/12/2021				12/03/2021		
Charge Description	Meter Number	Previous Read Date	Current Read Date	Previous Reading	Current Reading	Usage	Charge Amount
WATER RESIDENTIAL BASE							4.97
WATER RESIDENTIAL VOLUME	Z00686470	09/28/2021	10/12/2021	347	364	17	47.70
RATE STEP		USAGE		RATE		TIER CHARGE	
TIER ONE		5		2.280000		11.40	
TIER TWO		10		2.960000		29.60	
TIER THREE		2		3.350000		6.70	
AR SAFT DRINKING WATER FEE							0.40
CONVENIENCE FEE							30.00
WATER SALES TAX							5.13
Total							88.20
SEWER RESIDENTIAL BASE CHARGE							4.50
SEWER RESIDENTIAL VOLUME CHG				347	384	17	143.65
RATE STEP		USAGE		RATE		TIER CHARGE	
TIER 1		17		6.450000		143.65	
Total							148.15
SANITATION RESIDENTIAL							0.81
RESIDENTIAL DIAL-A-TRUCK SERVICE							60.00
SANITATION SALES TAX							0.67
Total							67.48
1 CCF equals 748 Gallons				Total Current Billing		303.83	
				Previous Balance		10.89	
				Late Fee		0.00	
				Adjustments / Deposits		0.00	
				Less Payments Received		10.89	
				Total Due		\$303.83	
<small>24/7 PAY BY PHONE SERVICE **1-866-344-8380** \$2.00 CONVENIENCE FEE MOVING? YOU ARE RESPONSIBLE FOR CHARGES UNTIL YOU STOP/TRANSFER SERVICES. CALL US TO AVOID PAYING SERVICES NOT USED.</small>							

THE CITY OF FORT SMITH
 UTILITY BILLING FOR MISCELLANEOUS SERVICES

2021-9

Utility Department

INTRODUCTION AND BACKGROUND

The City provides water, sewer and sanitation services that are billed monthly by the Utility Department based upon certain charge rates. It also charges for a variety of miscellaneous charges when applicable each month: See Exhibit 1 for a schedule of these various charges. A miscellaneous charge may be set to bill for a certain number of billing cycles or a certain quantity of charges and should bill with the next billing cycle for each account. Miscellaneous charges may also be added by adjustment.

AUDIT SCOPE AND OBJECTIVES

The scope of the audit considered the miscellaneous charges billed and unbilled in the Tyler Munis system. Our audit objectives were as follows:

1. Determine if miscellaneous charges are billed appropriately.
2. Evaluate the miscellaneous charges entry and billing processes.
3. Determine that customer accounts were charged the appropriate miscellaneous charge(s).

PROCEDURES PERFORMED

PLANNING

- Conducted interviews and process walkthroughs with key individuals;
- Identified key risks and controls;
- Identified potential areas for process improvements and internal control weaknesses;
- Refined work plan based on risks, standards, and processes, and developed test plans;
- Performed testing of billed and unbilled miscellaneous charges.

FIELDWORK

- Obtained Tyler Munis system reports.
- Examined “Pending Added records”, Service Orders, and New Deposits.
- Documented and confirmed findings with process owners.

REPORTING

- Prepared a report to include testing results and recommendations.
- Discussed findings with process owners and management, obtained management responses and assessed management responses.

AUDIT METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on the audit procedures performed. The scope of our work did not constitute an evaluation of the overall internal control structure of the Utility Department. Management is responsible for establishing and maintaining a system of internal controls to ensure that City assets are safeguarded; financial activity is accurately reported and reliable; and management and employees are in compliance with laws, regulations, and policies and procedures. The purpose of our audit is to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

CONCLUSIONS AND SIGNIFICANT ISSUES

We believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards. Each conclusion is aligned with the related Audit Objective for consistency and reference. For detailed findings, recommendations, management responses, comments, and assessment of responses see the “Detailed Findings, Recommendations, Management Responses, and Assessment of Responses” section of this report.

- **SOME OF THE MISCELLANEOUS CHARGES ENTERED ARE NOT BILLED. (HIGH)** - As of 11/30/2021, there were 1,141 pending unbilled miscellaneous charges totaling \$67,775.
- **SOME MISCELLANEOUS CHARGES ARE ENTERED WITH NO AMOUNT. (HIGH)** – As of 09/28/2021, there were 157 Miscellaneous Charges with \$0 amount.
- **THE PROCEDURE FOR DETERMINING THE ACTION DATE IS NOT CONSISTENTLY FOLLOWED. (HIGH)** – Miscellaneous charges should be entered with an action date from 0 to 1 days from the date that the account was set up. In some instances, the action date is actually before the service start date.
- **THE UNBILLED MISCELLANEOUS CHARGES ARE NOT PERIODICALLY REVIEWED. (HIGH)** - The unbilled Miscellaneous Charges are not periodically reviewed and corrected prior to each billing cycle.
- **ACTIVATION AND TRANSFER FEES FOR 1,800 NEW SERVICES WERE NOT CHARGED. (HIGH)** – Customer Service does not ensure the \$30 activation fee is charged to the customer’s account for all new services or to transferred account.

DETAILED FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, AND ASSESSMENT OF RESPONSES

FINDING #1 – ALL PENDING MISCELLANEOUS CHARGES THAT ARE ENTERED ARE NOT ALWAYS BILLED. (HIGH)

BACKGROUND:

A Miscellaneous Charge is for a service such as an activation fee, water or sewer tap charge, meter reactivation fee, etc., and are billed with each billing cycle, and are entered by the customer service representatives. Water and Sewer tap charges are entered by the Utility records technician.

Utility Billing noted that when the Tyler Munis system was implemented, there were initially some issues with the Miscellaneous Charges not billing but believe the issues have been resolved. One issue was the Action Date was entered at 30 – 31 days from the customer’s service start date and may not have billed on the next bill run because the action date was outside of the bill run dates. The Action Date is the date used to calculate charges during the billing cycle. On 11/10/2021, the Citizen Services Manager stated that the practice of setting the action date at 30 - 31 days has been modified and was ready to be implemented. Depending on the type of the miscellaneous charge, the action date should be either one day following the day the account is set up (Activation fees) or the same date the fee is entered (all other miscellaneous charges). (See Work Exhibit # A)

FINDING 1:

530 miscellaneous charges totaling \$26,496 in unbilled revenue did not bill during the billing cycle as they should have, are now past the current billing dates and have action dates from 10/21/2020 through 11/28/2021. (See Work Exhibit # B)

Miscellaneous Charges 10/21/2020 - 11/30/2021	Count	Amount
Total "Pending" Misc. Charges 11/30/2021	1,141	\$67,775
"Pending" Misc. Charges considerably past the Activation Date	530	\$26,496
Percentage of Misc. Charges considerably past the Activation Date	46%	39%

RECOMMENDATIONS:

The Utility Department should identify the miscellaneous charges that have not been billed as expected by running the report, determine the reason the charges are not billing and make the necessary corrections to ensure all future billings occur timely. The unbilled miscellaneous charges should be reviewed prior to each billing cycle or at least on a weekly basis to ensure that they are entered and billed correctly.

A checklist should be maintained by Customer Service and provided to management to validate that certain reports and reviews took place before the customer was billed.

UTILITY DEPARTMENT’S MANAGEMENT RESPONSE:

Tyler Munis recommended that the action date be set 30 days from the start date. They stated this would ensure the charge would be on the customer’s first utility bill. In some instances between renters, a landlord would not be charged an activation fee as the account

name would change before the completion of 30 days and would be final billed before the activation fee could be billed. This process was changed in late 2021 to establish the action date on the account start date or at the latest, the day after. This reduced the majority of the unbilled activation fees.

The Citizen Services team will clean up the 530 unbilled charges by deleting each individual charge with notation [adding notes to the customers' account for the reason]. Moving forward, a step will be added in the billing process to run the Miscellaneous Charges Report to ensure that all charges are pulled and billed in the correct billing cycle.

Responsible Party:

Lance McAvoy, Utility Director

Implementation Date:

The 530 billed charges will be completed by February 25, 2022.

The additional step in the billing process to run the Miscellaneous Charges Report to ensure that all charges are pulled and billed in the correct billing cycle will begin no later than February 11, 2022.

Assessment of Response:

Management's response, as presented, sufficiently addresses the issues identified and corrective actions are appropriate for the clean-up. IA was not able to corroborate the recommendation from Tyler Munis because no documentation was provided.

FINDING #2 – MISCELLANEOUS CHARGES ARE ENTERED WITH NO \$ AMOUNT. (HIGH)

BACKGROUND:

Miscellaneous charges are entered by the Customer Service Representatives (CSR) when a new service is added or when it has been determined that a miscellaneous charge is needed. The CSR has the option of entering the service charge code manually or selecting the appropriate charge from a drop-down list. The dollar amount will usually populate from the charges table but this is not always the case and sometimes no dollar amount is entered. (See **Work Exhibit # C**)

FINDING 2:

157 activation fees were pending charges to be billed at \$0 in the Misc. Charge Report as of 9/28/2021. During the Utility Billing walk-through, the pending miscellaneous charges were discussed with the Utility Billing Manager who corrected the \$0 amounts during the period from 10/28/2021 through 11/16/2021. No \$0 activation fees have been corrected since 11/16/2021. As of 11/30/2021, there were two activation fees with \$0. As of 01/03/2022, there were nine activation fees with \$0, including one of the \$0 charges from 11/30/2021. The other charge from 11/30/2021 was billed at \$0.

Additionally, IA ran an Accounts Receivable Report and identified 523 activation fees that were billed at \$0 in 2021 alone. (See **Work Exhibits # D, # E, and # F**)

RECOMMENDATIONS:

The Utility Department Management should ensure that all miscellaneous charges are entered correctly and verified. Also, additional training should be considered for those CSRs who are not adding the miscellaneous charges correctly to the customer's account.

Provide all Customer Service Representative with the printed procedures (checklist) for miscellaneous charges and randomly sample those accounts to validate the accounts were entered correctly.

UTILITY DEPARTMENT'S MANAGEMENT RESPONSE:

The Utility Department agrees with the finding.

Citizen Services worked with ITS to ensure that all Customer Service Representatives had the proper permissions and settings to process activation fees to be billed. Utility Leadership found that one Customer Service Representative was not following the proper process for entering activation fees. This employee was given additional training and now understands this process and its importance.

Utility Leadership will provide refresher training on printed procedures quarterly and require signature from each employee that it was received. In addition, Utility Leadership will begin monthly spot checks to ensure the miscellaneous charges procedures are being followed as established.

Responsible Party:

Lance McAvoy, Utility Director

Implementation Date:

The individual who was not properly assessing miscellaneous service charges was retrained and coached was addressed on January 27, 2022.

The refresher training for all Customer Service Representatives will be completed by March 31, 2022.

Assessment of Response:

Management's response, as presented, sufficiently addresses the issues identified and corrective actions are appropriate.

FINDING #3 – THE PENDING MISCELLANEOUS CHARGES ARE NOT PERIODICALLY REVIEWED. (HIGH)

BACKGROUND:

Miscellaneous Charges are entered when required and billed during the normal billing cycle. The unbilled miscellaneous charges can be viewed in the Miscellaneous Charges Module in Munis, exported to a text file, PDF file or if the “browse” option is selected, the results can be exported to an excel file.

FINDING 3:

During the Utility Billing process walkthrough, the unbilled miscellaneous charges were discussed. The Utility Billing Manager stated that she did not review the unbilled miscellaneous charges. When the miscellaneous charges are not reviewed, customers may not be charged appropriately and the City loses revenue for services provided to the customer. (See **Work Exhibit # B**)

RECOMMENDATIONS:

The unbilled miscellaneous charges should be reviewed prior to each billing cycle or at least on a weekly basis to ensure that the miscellaneous charges are entered and billed correctly.

A checklist should be maintained by Customer Service and provided to management to validate that certain reports and reviews took place before the customer was billed.

UTILITY DEPARTMENT’S MANAGEMENT RESPONSE:

The Utility Department agrees with the finding.

Moving forward we will add an additional step in the billing process to run the Miscellaneous Charges Report to ensure that all charges are pulled and billed in the correct billing cycle.

Responsible Party:

Lance McAvoy, Utility Director

Implementation Date:

The additional step in the billing process to run the Miscellaneous Charges Report to ensure that all charges are pulled and billed in the correct billing cycle began on February 11, 2022.

Assessment of Response:

Management’s response, as presented, sufficiently addresses the issues identified and corrective actions are appropriate.

FINDING #4 – THE PROCEDURE FOR THE ACTION DATE IS NOT CONSISTENTLY FOLLOWED. (HIGH)

BACKGROUND:

A new account does not bill until 31 days after the customer’s start date. Miscellaneous charges should bill on the customer’s first bill. The Action Date is the date that the miscellaneous charge can be used to calculate charges. On 11/10/2021, the Citizen Services Manager stated that the revised procedure implemented sets the action date one day following the day the account is set up and the activation date for all other miscellaneous charges is the same day that the fee is entered. (See Work Exhibit # A)

FINDING 4:

605 miscellaneous charges were entered after 11/10/2021 and 238 had an action date that was outside of the procedure guidelines. Of those, 12 were entered with an activation date that was 30 – 31 days from the date that the charge was entered. If the action date is outside of the cycle billing dates, it will not bill for the charges entered. (See Work Exhibit # G)

RECOMMENDATIONS:

The Utility Department Management should ensure that the new procedure on the Action Date is followed.

Provide all Customer Service Representative with the printed procedures (checklist) and randomly sample those accounts to validate the action date entered was correct.

UTILITY DEPARTMENT’S MANAGEMENT RESPONSE:

The Utility Department agrees with the finding.

Tyler Munis recommended that we establish the action date 30 days from their start date. They stated this would ensure the charge would be on the customer’s first utility bill. In some instances between renters, a landlord would not be charged an activation fee as the account name would change before the completion of 30 days and would be final billed before the activation fee could be billed. This process was changed in 2021 to establish the action date on the account start date or at the latest, the day after. This reduced the majority of the unbilled activation fees.

Responsible Party:

Lance McAvoy, Utility Director

Implementation Date:

Any additional errors will be addressed with the implementation of the additional step in the billing process to run the Miscellaneous Charges Report to ensure that all charges are pulled and billed in the correct billing cycle. This began on February 11, 2022.

Assessment of Response:

Management’s response, as presented, sufficiently addresses the issues identified and corrective actions are appropriate.

FINDING #5 – ACTIVATION FEES ARE NOT ENTERED ON ALL ACCOUNT ACTIVATIONS AND TRANSFERS. (HIGH)**BACKGROUND:**

The Utility Department Protocol for Citizen Services Fees states that a \$30 activation fee is required for all account activations and transfers including accounts set up by landlords, property management groups, new customers, irrigation accounts, and businesses. (See **Work Exhibit # H**)

FINDING 5:

1,800 new services were not charged the required activation fees during the three-year period from 2019 – 2021. There were over 640 new services added in 2019 with no activation fee, over 550 in 2020, and 600 in 2021. This is \$54,000 in activation fees that were not billed over the three-year period. (See **Work Exhibit # I**)

Activation Fees	2019	2020	2021
Number of Activation Fees Not Charged	649	554	597
Dollar Amount of Activation Fees Not Charged	\$19,470	\$16,620	\$17,910
Total Activation Fees Billed	\$192,750	\$187,200	\$159,180
Percentage of Act. Fees not Charged/Total Act. Fees	10%	9%	11%

RECOMMENDATIONS:

The Utility Department should review and update the Standard Operating Procedure (SOP) for Customer Account Setup and ensure the SOP includes adding the activation fees.

Train all Customer Service Representatives on the Customer Account Setup process, including adding the activation fees.

Provide all Customer Service Representative with the printed procedures (checklist) for the Customer Account Setup.

Randomly sample those accounts to validate the account was done correctly.

UTILITY DEPARTMENT’S MANAGEMENT RESPONSE:

The Utility Department agrees with the finding.

The Department did find that not all of the Customer Service Representatives were following the proper procedure to ensure the activation fees were added to customer accounts. This was remediated through additional training and communication of expectations. Utility Leadership will provide refresher training on printed procedures quarterly and require signature from each employee that it was received. In addition, Utility Leadership will begin monthly spot checks to ensure the miscellaneous charges procedures are being followed as established.

There is potential to limit the manual process by updating our Service Order process for account changes with the pending upgrade of the Tyler Munis system, but this will need to be reviewed, tested, and approved.

The one item where the Department must increase its performance is in properly documenting why an activation or transfer fee is waived.

Responsible Party:

Lance McAvoy, Utility Director

Implementation Date:

A Standard Operating Procedure for waiving activation and transfer fees will be generated and implemented no later than March 25, 2022.

The refresher training for all Customer Service Representatives will be completed by March 31, 2022.

Assessment of Response:

Management's response, as presented, sufficiently addresses the issues identified and corrective actions are appropriate

OTHER FINDINGS/OBSERVATIONS TO BE CONSIDERED FOR CORRECTION

There are not adequate notes or attachments to the customer accounts to determine if there was an exception for not entering the activation fee on an account activation or a transfer or if there was approval for not entering the activation fee. For example, a couple of accounts were found with an attachment (death certificate) but there was no explanation in the contacts that there was no activation fee because the account was transferred to a survivor.

Management Response: See Response #5

EXHIBIT 1

Miscellaneous Charge Revenues

For the Years Ended 2019, 2020 and 2021

Miscellaneous Charges

Miscellaneous Charge Code Billed	Responsible Department	2019	2020	2021
15500 - WATER TAP FEE	Utility	337,797.42	215,186.30	239,937.00
15510 - RYE HILL CONNECTION	Utility	6,380.00	15,080.00	44,660.00
35000 - SEWER TAP FEE	Utility	79,175.00	65,730.00	68,328.00
35200 - BIODEGRADABLE SEWER CHG (BOD)	Utility	85,678.99	81,620.29	152,405.35
35300 - SUSPENDED SOLIDS SEWER (TSS)	Utility	25,973.68	21,884.74	32,245.78
40100 - RESIDENTIAL DIAL A TRUCK SERVICE	Sanitation	0.00	300.00	3,180.00
40200 - BRUSH COLLECTION SERVICE	Sanitation	0.00	600.00	3,720.00
41099 - COMMERCIAL CONTAINER FEE	Sanitation	55,177.70	878.88	1,376.20
41101 - SAN COM EXTRA PICK UP 2 YD	Sanitation	1,616.00	1,462.53	2,063.49
42101 - SAN COM EXTRA PICK UP 4YD	Sanitation	228.02	477.77	402.06
43101 - SAN COM EXTRA PICK UP 6YD	Sanitation	239.60	292.47	404.74
43201 - SAN COM EXTRA PICK UP 8 YD	Sanitation	1,401.89	1,422.28	1,348.67
43600 - SPECIAL COLLECTION SERVICE	Sanitation	0.00	180.00	1,649.72
44000 - RELOCATION/SWAP OUT FEE	Sanitation	0.00	30.00	0.00
60000 - DEPOSIT	Sanitation	50.00	0.00	0.00
80000 - ACTIVATION FEE	Utility	192,750.00	187,200.00	159,180.00
90000 - PENALTY - 10%	Utility	240,770.71	345,827.46	849,701.21
90100 - DISCONNECT NOTICE FEE	Utility	0.00	0.00	5.00
90200 - RECONNECTION FEE	Utility	0.00	6,420.00	43,320.00
90210 - RECONNECTION FEE - AFTER HOURS	Utility	0.00	0.00	7,020.00
90500 - SERVICE CHARGES	Utility	297.96	270.00	1,500.00
90600 - NSF	Utility	7,511.00	8,265.00	9,686.00
Total		\$1,035,047.97	\$953,127.72	\$1,622,133.22

NOTE: This report was completed in December and sent to Management for responses. Due to the holidays, vacation, illnesses, Audit Committee feedback, and IA informing management several times that their responses were not correctly addressing the finding the report was not issued until April 2022.