

# Audit

## Follow Up

As of March 31, 2005



### “Gas Revenues”

(Report #0409, Issued April 12, 2004)

Report #0524

June 28, 2005

#### Summary

**The applicable City departments have completed 19 of the action plan steps that were initially due for completion as of March 31, 2005. The planned completion dates for the remaining step was amended to a subsequent period.**

In audit report #0409, we identified issues that indicated the need for management to better manage financial risks created by the complexity of measuring and billing consumption for customers operating off elevated delivery pressures. In addition, we reported the need for better use of the PeopleSoft Customer Information System (CIS) as a management tool as well as the need for enhanced meter management.

We provided specific recommendations to address these issues. Overall, the Gas Utility, Utility Accounting, and Utility Customer Services have been responsive in addressing these issues as steps have been taken to:

- Refund/charge for identified over-billings and under-billings;
- Identify and correct improper billing setups;
- Standardize measurement methods at locations operating off elevated delivery pressures;
- Make the fee determination process for “light pilot” field activities more timely and efficient; and
- Establish and document a reasonable and formal meter testing and change out program.

#### Scope, Objectives, and Methodology

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

#### Report #0409

The scope of report #0409 included a review of activity impacting Gas Utility revenues during the period October 2002 through November 2003. The primary City departments performing activities that impact gas revenues are the Gas Utility and Utility Accounting. Growth Management and Utility Customer Services also conduct some activities (e.g., creating system field activities and orders) that impact those revenues.

The objectives of the audit were to determine whether:

- Gas consumption was properly measured and billed to City customers;
- Amounts billed were proper based on customer class, premises location, contractual terms, and applicable City ordinances;
- Functions (e.g., processing system field activities and orders and meter reading) that impact billing revenues were proper and efficient;
- Controls and processes for gas meter inventory and maintenance were adequate; and
- Management took an active role in identifying and reducing and/or mitigating risk.

#### Report #0524

This is our second follow up on action plan steps identified in audit report #0409. In our first follow up, we reported on the progress and status of efforts to implement action plan steps due as of September 30, 2004. The purpose of this second audit follow up is to report on the progress and status of efforts to complete action plan steps due for completion during the period October 1, 2004, through March 31, 2005. To obtain information we conducted interviews with key staff, made observations, and reviewed relevant documentation.

#### Previous Conditions and Current Status

In report #0409, we identified issues that indicated the need to better manage financial risks created by the complexities of measuring and billing consumption for customers (especially large commercial customers) operating off elevated delivery pressures. In addition, we noted the need for better use of the PeopleSoft Customer Information System (CIS) as a management tool as well as the need for enhanced meter management. Twenty-eight action plan steps were developed to address the identified issues. Of those 28 steps, 20 were initially due for completion as of March 31, 2005. Table 1 provides a summary of those 20 action steps and their current status.

**Table 1  
Action Plan Steps from Report #0409 initially due as of March 31, 2005, and Current Status**

Action Plan Steps	Current Status
<b>Ensure proper consumption measurement and billing for customers operating off elevated pressures</b>	
<b>Utility Accounting</b>	
<ul style="list-style-type: none"> <li>For instances of under-billing and over-billing identified in the audit (i.e., under-billings of \$9,325 and over-billings of \$12,425), make appropriate adjustments to refund or recover amounts to/from applicable customers.</li> </ul>	✓ Completed during prior period.
<b>Gas Utility</b>	
<ul style="list-style-type: none"> <li>Make appropriate adjustments so that subsequent billings are correct for the six elevated pressure service points identified as being under-billed and over-billed due to errors in determining consumption.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Select and implement standard methods for measuring consumption for service points operating off elevated pressures. Consider cost, resource efficiencies, and reliability issues when making the selection.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>In conjunction with the preceding step, determine and use the most appropriate instrument type (e.g., telecorrector) for measuring consumption at service points operating off elevated pressures greater than five pounds.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Designate a sufficient number of staff to read and record gas consumption for service points operating off pressures greater than five pounds. Include backup readers as part of the designated staff.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Train the designated staff (see preceding action step) to properly and accurately read/measure consumption at the applicable service points, and record the measures into the PeopleSoft CIS.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Designated staff (see preceding steps) will read all service points operating off elevated pressures greater than five pounds and enter those measures into PeopleSoft CIS.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Develop comprehensive written procedures and guidelines for determining consumption at service points operating off elevated pressures. Distribute to Gas Utility meter reading staff and their supervisors.</li> </ul>	✓ Completed during prior period.
<ul style="list-style-type: none"> <li>Track and monitor service points operating off elevated pressures using the PeopleSoft CIS or other system.</li> </ul>	✓ Completed during prior period.
<b>Enhance use of the PeopleSoft CIS as a tool to provide accountability and monitor activities</b>	
<b>Gas Utility</b>	
<ul style="list-style-type: none"> <li>Research and charge or refund applicable customers for noted instances where connection and light pilot fees were not charged or were incorrectly charged.</li> </ul>	✓ Research was performed. As a result, applicable overcharged customers were refunded through a credit on a subsequent bill. However, applicable undercharged customers were not subsequently billed (i.e., for the under-billed amounts) because of the City's back-bill policy. That policy provides that the City will not back-bill for a period greater than 12 months when the under-billed amounts result from a City error. In the each of the applicable instances, the under-charged amounts occurred more than 12 months prior to the date of the initial error determination and/or date of the research. Amounts were not material (i.e., under-charged amounts not back-billed totaled only \$86).
<b>Utility Accounting</b>	
<ul style="list-style-type: none"> <li>Determine the most appropriate type of system field activity/order that should be created and dispatched for</li> </ul>	✓ Completed during prior period.

<p>each basic circumstance (e.g., meter tap and set, connection of services, light pilot, meter removal, meter replacement). Based on those determinations, develop and issue instructions to applicable departments/offices responsible for creating field activities (i.e., Growth Management, Utility Customer Services, and the Gas Utility).</p>	
<ul style="list-style-type: none"> <li>Revise the process for requesting gas taps and meter sets such that separate field activities/orders are created and dispatched for the tap and the set. Provide training to applicable Growth Management and Gas Utility staffs for the revised process.</li> </ul>	<p>✓ Utility Accounting, Gas Utility, Growth Management, and Utility Customer Services (UCS) staffs implemented a process whereby separate field activities and orders are now created and dispatched for gas taps and meter sets. This revised process allows for more efficient tracking and monitoring of those two separate activities.</p>
<ul style="list-style-type: none"> <li>Enhance the PeopleSoft CIS to credit customers for the \$20 reconnect fee in the event that their gas services are not restored after being disconnected for nonpayment.</li> </ul>	<p>◇ In our initial follow up report (#0517) on the Gas Revenues Audit, we noted that Utility Accounting staff had attempted to change the PeopleSoft CIS to automatically credit applicable customer accounts when a \$20 <u>reconnect</u> fee was charged based on a <u>disconnect</u> activity for nonpayment, and the customer did not have the gas services subsequently restored. As reported, Utility Accounting determined the system was not able to perform that function as desired. The current version of PeopleSoft CIS is scheduled to be updated in Fall 2005. Utility Accounting anticipates that the updated version will provide the desired functionality. We will address the status of this action step in our subsequent follow up reports.</p>
<ul style="list-style-type: none"> <li>Periodically run the existing query that identifies consumption at service points for which there are no active service agreements (i.e., unbilled consumption) and take appropriate actions based on the results.</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>Develop and use additional queries to identify improper billing arrangements. Queries, similar to those developed as part of this audit, will be used (e.g., queries that identified instances where customers were billed incorrect fees and taxes because of misclassifications.)</li> </ul>	<p>✓ Completed during prior period.</p>
<ul style="list-style-type: none"> <li>For those instances identified in this audit where customers were billed incorrect rates and taxes, make corrections to the status in the PeopleSoft CIS and refund or back-bill customers as applicable.</li> </ul>	<p>✓ Completed during prior period.</p>
<p><b>Utility Customer Services</b></p>	
<ul style="list-style-type: none"> <li>Revenue Specialists will use the PeopleSoft CIS field activity/order process to request reviews and investigations.</li> </ul>	<p>✓ Completed during prior period.</p>
<p><b>Eliminate inefficiencies in processing field activities/orders for pilot lights</b></p>	
<p><b>Gas Utility</b></p>	
<ul style="list-style-type: none"> <li>Use automation or alternative methods to make the fee determination process for light pilot field activities/orders more timely and efficient.</li> </ul>	<p>✓ The fee determination process for light pilot field activities/orders was made more timely and efficient by involving (1) customer services representatives in Utility Customer Services (who initiate and dispatch the orders) and (2) Gas Utility staff working the orders (who actually turn on the gas and/or light pilot lights) in the fee determination process. These changes effectively result in additional staff being involved in that fee determination process at the "front end" (i.e., at the time that the activities/orders are created and worked), opposed to the "back end" after staff has physically turned on the gas and/or lit the pilot lights. During our fieldwork in April 2005, we noted that of the 19,253 light pilot field activities/orders that had been created during the two-year period March 31, 2003, through March 31, 2005, only 3 remained to be worked and completed.</p>

Ensure meters accurately measure consumption	
Gas Utility	
<ul style="list-style-type: none"> <li>Document and evaluate the meter testing/change-out program to provide for scheduled testing (or replacement) of all active meters on a cyclic basis. The testing/change out goals and objectives should be reasonable.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Completed during prior period.</li> </ul>
<ul style="list-style-type: none"> <li>Maintain records to document the scheduling and testing/change-out of meters in accordance with the established program.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Gas Utility maintains records that effectively document the scheduling and testing/change outs of regular flow and high flow meters. Specifically:                             <ul style="list-style-type: none"> <li>- The scheduling and testing of regular flow meters is documented within the PeopleSoft Customer Information System through the field activity and order process. A unique disposition code is used to designate all meters tested/changed out as the result of the change out program.</li> <li>- Applicable Gas Utility staff use Excel spreadsheets to document the scheduling and testing of high flow meters.</li> </ul> </li> </ul>

**Table Legend:**

- Issue addressed in the original audit
- ✓ Issue addressed and resolved
- ◇ On-going activities

**Conclusion**

As of the end of our audit fieldwork in early May 2005, the applicable City departments had completed 19 of the 20 action plan steps initially due for completion as of March 31, 2005. The planned completion for the remaining step (i.e., revising the system so that customers that do not have gas services restored after being disconnected for nonpayment are not incorrectly charged reconnect fees) was amended to a date subsequent to the current reporting period. We will follow up on the status of that action step in our subsequent follow up efforts.

Other significant actions remaining to be completed subsequent to March 31, 2005, include:

- Train various staff responsible for creating, processing, and finalizing PeopleSoft CIS field activities and orders;
- Establish and use queries to identify and resolve field activities/ orders that (1) remain in pending status beyond a reasonable time and (2) are not properly, logically, and consistently finalized;

- Conduct semiannual reconciliations of uninstalled meters per the PeopleSoft CIS to meters in the shop inventory and meters reflected in the PeopleSoft Financials System as a means to ensure accurate accountings of uninstalled meters; and
- Train meter shop staff to use the PeopleSoft CIS for tracking and accounting for the status of all gas meters and thereby eliminate the manual card system.

We appreciate the cooperation and assistance of the Gas Utility, Utility Accounting, and Utility Customer Services provided in this audit follow up.

**Appointed Official Response**

**City Manager:**

I am pleased with the results of this audit follow up. The level of progress reflects management’s commitment to internal control and cooperation with the auditors.

Copies of this Audit Follow Up or audit report #0409 may be obtained from the City Auditor’s website (<http://talgov.com/citytlh/auditing/index.html>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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