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^{††} Audit Committee Member

Water Utility Billing and Adjustments Audit

February 7, 2020



**City of Fort Worth
Department of Internal Audit**

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The Water Utility Billing and Adjustments Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2019 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- evaluate the City's water utility billing process (including adjustments); and,
- ensure that water billing adjustments were properly supported.

Audit Scope

Our audit included a review for the period October 1, 2017 through September 30, 2018. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Routine analysis of billing anomalies

Enhanced department-level monitoring of water meter necessity

Timelier validation of unauthorized consumption

Documented, comprehensive policies and procedures

Executive Summary

As part of the Fiscal Year 2019 Annual Audit Plan, the Department of Internal Audit conducted an audit of water utility billing and adjustments.

There were 21 instances where customers were not properly billed for water or wastewater services. Based on fixed base charges only, estimated annual under-billings totaled approximately \$2,000.00. We also identified two active fireline service accounts that were not billed.

We identified 73 City of Fort Worth water accounts with at least 24 consecutive months of zero water consumption. Total monies expended during this two-year period (FY2018 and FY2019) exceeded \$130,000.00. We also identified 90 accounts with low water consumption. While low water consumption is not necessarily a negative issue, City personnel confirmed that three low volume meters were no longer necessary. Estimated annual cost savings from these three meters totaled \$8,592.52.

We concluded that the Water Department has a process in place to identify and bill for unauthorized water consumption. However, delays in validating unauthorized consumption locations led to delayed back billings. In FY2018, approximately 2,100 accounts were back-billed in excess of \$1.1 million in total.

The Water Department had a written leak adjustment policy, but did not have a written policy to govern goodwill adjustments. Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

In addition, we identified the following issues that did not warrant a finding, but were considered pertinent enough to mention. Within geographical areas where there was a mixture of residential and commercial properties, eight of 763 water accounts (less than 2%) were misclassified, resulting in erroneous billings. Also, during our audit period, the Water Department used a bank fraud prevention service known as "positive pay" for water refund checks. A more secure "payee positive pay" service is used by other City departments. The Water and Financial Management Services Departments stated that implementation of "payee positive pay" was in process for Water refund checks. Lastly, based on our analysis, opportunities exist to reduce costs by increasing the number of electronic billings and decreasing the number of paper billings.

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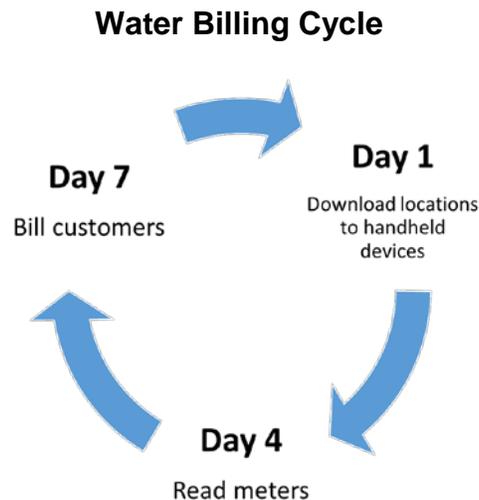
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Background

Water utility billing is a responsibility of the Water Department's Customer Care Division, which encompasses the Call Center, billing and revenue accounting (Billing Group), Meter Services, customer engagement and other functions. In 2018, the Water Department had approximately 253,000 retail (e.g., not wholesale) customer accounts and generated approximately three million billing statements each year.

There are 21 billing cycles, divided by geographical areas within the city. A 22nd cycle is reserved for specialized billing such as contract meters, stormwater-only and garbage-only accounts. The following illustration depicts a water billing cycle.



Although customer billings are based on meter readings, the Water Department makes adjustments to customer accounts when water charges are incurred as a result of errors and/or leaks. Common adjustments include water leak, undefined high-usage and goodwill.

- Water leak repair adjustments are provided to customers who have increased water consumption during the month(s) before a leak is identified and repaired.
- Undefined high water use adjustments allow for a single-family residential customer to apply for a credit adjustment due to an undefined high water use bill.
- Goodwill adjustments are granted as a customer service courtesy.

Water billing personnel are responsible for reviewing exceptions (high, low and missed readings), and generating work orders for field observation/investigation/validation. Meter services staff conduct observations/investigations/validations and report findings to Water billing personnel. Meter Services staff also investigate instances where there is reported water usage at locations that do not have a water account. Customers who initiate service, after unauthorized consumption is validated, are back-billed based on water meter reading information provided by Meter Services. According to Meter Services management, two staff members are assigned to investigate reported water usage at locations that do not have an active water account.



Adjustments to customer accounts are processed by billing and Call Center managers. Prior account history is reviewed to ensure that no adjustment is granted if the customer has received a leak adjustment in the past 12 months, or a high usage adjustment in the past 24 months. If requirements are met, the customer is authorized to receive a credit adjustment. A Customer Relationship Management (CRM) system is used to record adjustment requests.

Per the City's water leak adjustment procedure, the Water Department will adjust 50% of the consumption difference between normal usage and the amount caused by a leak, for a maximum of the two highest affected months. However, the Water Department also allows a single-family residential customer to apply for a credit adjustment for an undefined high water use bill greater than two times the average water use. This high usage adjustment is allowed only if the customer submits the application within 60 days of the end date for the service period in question, and has no prior adjustments within the previous 24 months.

Goodwill adjustments are provided based on circumstance and at the discretion of the Water Department. There currently are no defined parameters or written policies governing goodwill adjustments.



Objectives

The objectives of this audit were to:

- evaluate the City's water utility billing process (including adjustments); and,
- ensure that water billing adjustments were properly supported.

Scope

Our audit included a review for the period October 1, 2017 through September 30, 2018. Activity beyond this period was reviewed as deemed necessary.

Meter reading accuracy, wholesale billing and water utility collections were not within the scope of this audit.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed personnel within the Water Department;
- reviewed policies and procedures related to water billings and adjustments;
- reviewed the City Ordinance and information on the City's website regarding water rates and customer classifications (e.g., residential and commercial);
- verified that water rates were billed as authorized;
- verified that billing adjustments were calculated accurately;
- reviewed unauthorized consumption billings;
- tested water billing adjustments to determine whether they were made in accordance with written policy;
- queried Water billing system data for anomalies (e.g., zero consumption);
- communicated anomalies to applicable City departments; and,
- evaluated internal controls related to water utility billings and adjustments.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Audit Results

Based on our audit testing, the Water Department billed for services at rates authorized by the Mayor and City Council. We did not identify adjustments that we considered to be improper.

We identified a total of 2,933 accounts that were billed for water but not wastewater, or for wastewater but not water. Since water or wastewater services are not available at all locations, Internal Audit reviewed the accounts and selected 59 that were considered most likely to represent errors. Based on responses received from the Water Department, only 21 of the 59 accounts were not properly billed, resulting in an annual loss of approximately \$2,000.00. We also identified two accounts with active fireline service that were not billed.

We identified 73 City of Fort Worth (CFW) water accounts with no water consumption for 24 consecutive months. Total base charges and other fees for those accounts totaled \$131,275.20 for the 24 consecutive month period. Three additional City water accounts, with no consumption for 21 consecutive months, were billed a total of \$1,694.04.

Ninety (90) City water accounts were billed for low consumption. While low consumption was not necessarily considered an exception (e.g., water fountains at park facilities), Internal Audit consulted with departments for follow-up. Based on that follow-up, City personnel confirmed that a total of three low volume meters (assigned to the Aviation, Fire and Public Events Departments) were no longer necessary, resulting in an estimated annual cost savings of \$8,592.52. Additionally, the Fire Department indicated a need to disconnect/deactivate a low volume meter that was not questioned by Internal Audit. Billings for this particular meter totaled \$15,122.40 for FY2019.

Unauthorized consumption billings in FY2018 comprised less than one-half percent of the Water Department's approximately \$362.5 million in revenue. However, the \$1.1 million billed in FY2018 for unauthorized consumption is a considerable dollar amount that only represents validated unauthorized consumption. The Water Department has a process to identify reported water usage at locations that do not have active water accounts. However, the number of those locations could be considered difficult to manage.

The Water Department had written procedures that governed leak adjustments. However, those procedures did not specify when other adjustments could be granted in conjunction with leak adjustments. There were also no written policies or procedures for goodwill adjustments.

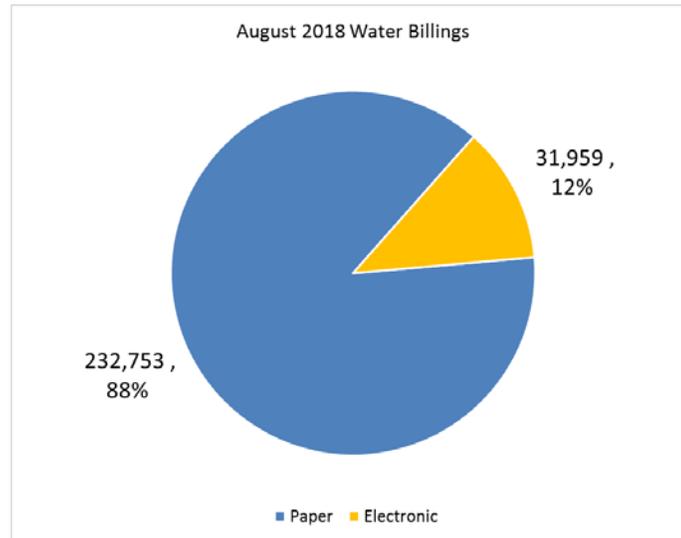
In addition to these findings, we identified the following three areas that were not considered reportable findings, but were deemed important enough to communicate to management.

The Water Department used a bank fraud prevention service known as "positive pay" for water refund checks. The Water Department did not use the more secure "payee positive pay" service that is used by other City departments. "Positive pay" includes bank verification of the check number and amount before a check is honored. "Payee positive pay" adds the payee name to the verification process. During the audit, the Water and Financial Management Services Departments stated that implementation of "payee positive pay" was in process for Water refund checks.

Within areas where there was a mixture of residential and commercial properties, eight of 763 water accounts that were tested (less than 2%) were misclassified. All eight properties were billed as residential, but should have been billed as commercial or non-profit.



Opportunities to reduce water bill printing and mailing costs exist. In August 2018, the majority (88%) of water customers billed received paper bills.



Source: DATAprose invoice

The CFW contracts with DATAprose for water utility billing. In August 2018, DATAprose billed the City:

- \$0.0850 for each paper statement sent to Fort Worth water customers;
- \$0.05 for each electronic statement generated; and,
- \$88,711.77 for postage.

We calculated the per unit postage for each paper statement to be \$0.3811 ($\$88,711.77 \div 232,753$ paper statements), and concluded that the total cost associated with sending a paper bill to a single customer was \$0.4661 ($\$0.0850 + \0.3811).

In September 2018, a total of 19,150 customers elected to have their water bill payment automatically deducted from their bank account. However, only 4,812 of these 19,150 customers (25%) received electronic billings. A total of 87,717 customers chose to pay their water bills online. However, only 32,078 of those customers (36.6%) received electronic billings.

Electronic billings could be beneficial to both the customer and the CFW. However, Internal Audit recognizes that electronic billings may not be feasible for all CFW water customers. For example, some customers may lack the necessary financial resources, technological ability and/or may just prefer to receive paper bills.

Water Department staff indicated that the biggest deterrent for eliminating paper bills has been the lack of information available in H2Online, the City’s on-line utility billing system. Water Department staff also indicated that customers have specifically requested a bill image that provides complete billing information that can be printed.

The system functionality to provide printable bill images will reportedly be available once the City transitions from H2Online to the Smart Energy Water portal. The Smart Energy Water portal will have payment processing that is supported by a paperless electronic billing and payment solution. The Water Department indicated that this transition is expected to be completed during calendar year 2020.



Overall Risk Evaluation

High	Medium	Low
Unbilled charges for water and wastewater services		
Expenses incurred for water meters with zero consecutive usage		
Delays in validating meter consumption at locations that did not have active water accounts		
	Unwritten or incomplete policies and procedures	

Detailed Audit Findings

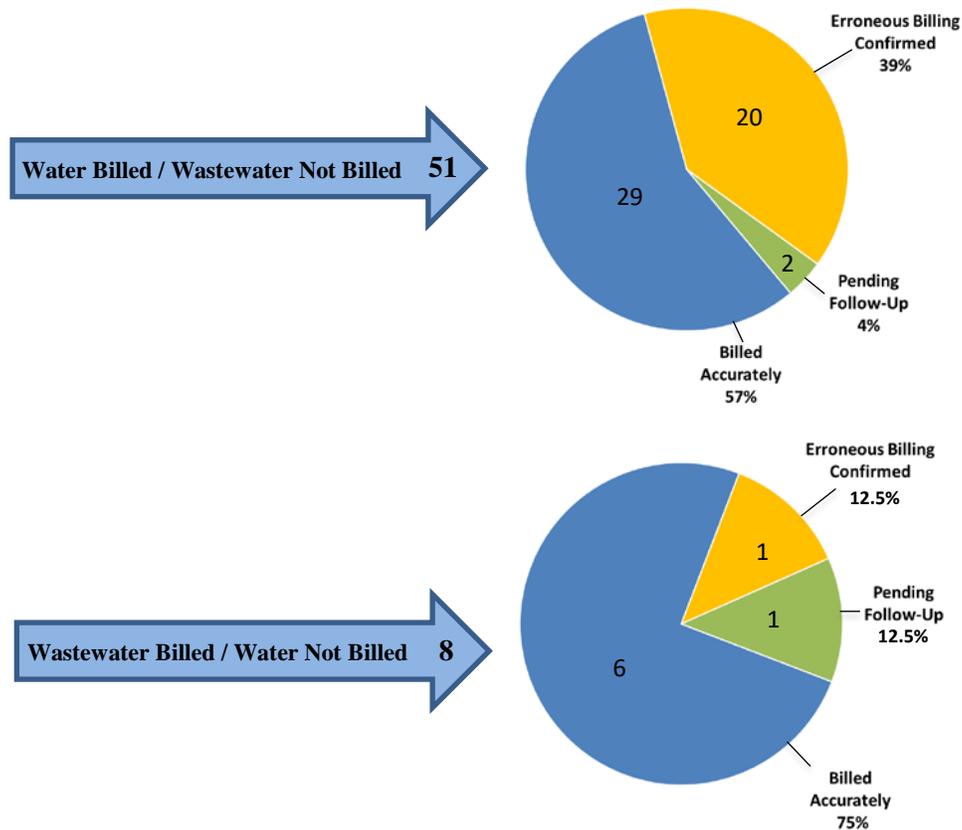
1. Some customer accounts were not billed for water or wastewater services received.

Twenty-one customer accounts were not billed for either water or wastewater services. As a result, approximately \$1,951.00 was unbilled (for base charges only) for water and/or wastewater services provided to customers during our audit period.

Based on our data analysis for the month of August 2018, 2,933 accounts were billed for water but were not billed for wastewater, or they were billed for wastewater but not water. Since Internal Audit was informed that services were purposely not billed at some locations, we selected accounts where water and/or wastewater services were considered most likely to have been provided by the City. Internal Audit selected 59 of the 2,933 accounts.

Based on the Water Department’s follow-up to the 59 questionable accounts, it was concluded that the City should have billed 21 of the 59 accounts. Water Department staff indicated that the 21 customer accounts were not billed due to human error or the reason was unknown. The remaining 38 customer accounts should not have been billed for water because they had a well, etc. Customers should not have been billed for wastewater because the service was not available and septic tank usage was required, etc.

Water or Wastewater Services Were Not Billed for 21 of 59 Accounts





In addition to the no water and no wastewater billing exceptions, Internal Audit identified two accounts with fireline services that were not billed. Fireline services are to be billed for locations with fire sprinkler systems. As of the end of audit fieldwork, water billing management indicated that they were researching this matter.

Chapter 35, Article III of the Fort Worth City Code specifies charges that the CFW should bill residential and non-residential customers for water/wastewater.

Recommendation 1A: *The Water Department Director should ensure that accounts not being billed for water, wastewater and/or fireline services received, are configured or reconfigured for billing as soon as possible.*

Auditee's Response: Concur. The twenty accounts identified as missing the charges associated with wastewater service and the one account identified as missing charges associated with water service were corrected in the billing system in December 2019.

Although there are a number of accounts that do not receive both water and wastewater services, it is critical that all services received by a customer are billed appropriately. To that end, the Utility has implemented well defined procedures to ensure timely and accurate account service initiation during the Water Applications Section's utility services review and account activation processes.

When addressing existing accounts, simple comparisons of account differences between customers with water accounts and those with sewer accounts may not be indicative of an error, and more likely would be an indication of the services actually provided. To identify accounts missing a service code, the Utility will:

- continue to build and refine reports and queries to identify service types and accounts that may have mismatches between subscribed and billed services;
- identify accounts for which services are received and not billed – correcting each situation as it is encountered;
- collaborate with other Water sections and evaluate GIS information to validate which services should be available for billing at locations identified as a concern; and,
- annotate accounts where specific services are not available or otherwise applicable.

Target Implementation Date: Completed

Responsibility: Customer Relations

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff

Recommendation 1B: *The Water Department Director should require a periodic query for/research of water service anomalies (e.g., being billed for water, but not wastewater).*

Auditee's Response: Concur. Reports were developed by the Water Billing Section in mid-2019 to aid in the research and verification of fireline billings. The Water Billing section produces daily reports (Unbilled Report) and notifies the Water Applications section to research accounts, verify existing fire lines and sizes, and modifies accounts with updated/corrected information as necessary. The Customer



Relations Section will continue to build and refine queries to identify other service types and accounts that may have mismatches between subscribed and billed services.

Target Implementation Date: Completed

Responsibility: Utility Billing and Accounting Manager

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff

2. City departments incurred expenses for water meters that had zero water usage for at least 24 consecutive months.

During audit testing, the Department of Internal Audit queried the population of water accounts to identify billings to the CFW for zero consumption. Based on our query results, we identified 73 accounts with zero consumption for 24 consecutive months, and three accounts with zero consumption for 21 consecutive months.

City Departments with Zero Consumption Meter Activity		
For the Period October 1, 2017 through September 30, 2019		
Department	# of Meters	Total Payments
Park and Recreation	66	\$ 123,302.40
Water	5	4,468.40
Aviation	1	1,761.20
Fire	1	1,743.20
Police (through June 2019 only)	3	1,694.04
Total	76	\$132,969.24

- After notification by Internal Audit, the Park and Recreation Department (PARD) requested that four meters be disconnected/deactivated.

Also, the PARD acknowledged that additional meters were not needed and should be disconnected/deactivated. However, the meters had to remain active in order for the PARD to receive credits towards: 1) future impact fees and 2) the purchase price for meters over two inches. Tap/impact fee credit arrangements (between the Water Department and PARD) were reportedly based on a decades old verbal agreement.

It should be noted that we identified \$38,816.00 in impact fees paid by the PARD (since May 2013). These charges were not offset by credits available under the verbal agreement.

- The Water Department indicated that only one of their five meters should be disconnected/deactivated. The remaining four were to remain in service.
- The Aviation Department indicated that their one zero consumption meter would be used for future construction projects and should, therefore, remain active.
- The Fire Department indicated that their zero consumption meter would remain active.



- The Police Department independently identified and terminated their three zero consumption accounts in June 2019, after vacating the properties.

Although disconnecting/deactivating unnecessary water meter accounts decreases Water Department revenue, retaining accounts for water meters that have no usage or serve no business purpose reduces funding that could be used for General Fund purposes. Additionally, indefinite payment for unnecessary accounts could eventually exceed the cost of tap/impact fees.

The Government Finance Officers Association (GFOA) states that governments must carefully monitor expenditures. To help enhance monitoring, the Water Department distributes interdepartmental billings to each billed department on a monthly basis. Based on report examples provided to Internal Audit, the monthly reports include water consumption by location. However, there is no process to require disconnections of inactive/unnecessary meters. As a result, meters are not being disconnected/deactivated in a timely manner, and unnecessary costs are being incurred.

Recommendation 2A: *The City Manager should require that department directors request termination of water accounts that have a certain number of consecutive months (to be determined by management) of zero water usage and are no longer needed.*

Auditee's Response: Concur. In an effort to assist departments to better monitor their usage by meter, a summary of interdepartmental billings showing zero metered consumption for the previous fiscal year (12-month period) will be provided by the Water Utility to affected department heads at the close of each fiscal year. The 2019 report was provided to departments on January 30, 2020. In addition, to the annual report, departmental fiscal staff will be able to monitor use by meter in the forthcoming customer portal. Portal access is anticipated in the fall. Frequency of data available by meter will vary by location and the MYH2O rollout schedule. Portal data will allow user departments to determine whether or not to retain meters based on its specific service need.

For meters that are terminated from City accounts, it should be noted that the expense of water/sewer tap removal shall be the responsibility of the account holder.

Finally, it's important to note that this finding does not represent a deficiency in the Utility's accounting or billing practices. Active interdepartmental accounts are billed water and wastewater base fees consistent with active account status.

Target Implementation Date: January 31, 2020 - report
September 30, 2020 - termination of appropriate accounts

Responsibility: Kara Shuror, Deputy Water Director
Affected Department Directors

Applicable Interim Assistant City Manager: Dana Burghdoff

Recommendation 2B: *The Park and Recreation Director and Water Department Director should formalize the verbal agreement to provide offsetting impact fee credits, in return for terminating unused active water accounts.*

Auditee's Response: Concur. The Park and Recreation Department (PARD) will work with the Water Department to formalize the long standing verbal agreement for offsetting credits for terminating inactive water accounts.



Target Implementation Date: September 30, 2020

Responsibility: Richard Zavala, Park and Recreation Department Director

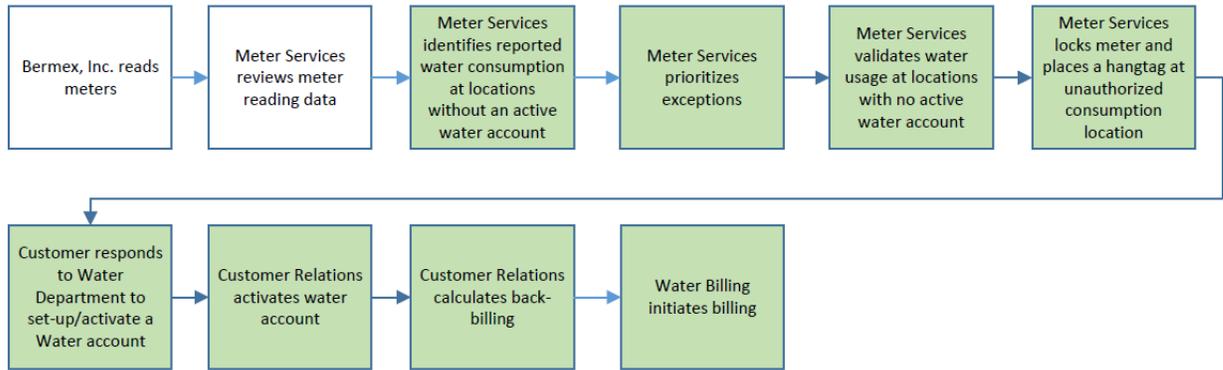
Applicable Department Head: Richard Zavala, Park and Recreation Department Director

Applicable Assistant City Manager: Fernando Costa

Applicable Interim Assistant City Manager: Dana Burghdoff

3. Untimely validation of recorded water consumption (at locations that did not have active water accounts) resulted in delayed back-billings.

The Water Department has a process for identifying locations that have reported water usage, but no active water account (e.g., customer not being billed for water usage).



In FY2018, the Water Department back-billed 2,171 accounts for over \$1.1 million in total, and billed 2,247 accounts a total of \$759,342.00 in FY2019. As shown in the following table, FY2018 billings ranged from one to 55 months in arrears, with the majority being back billed for up to seven months.



Months of Unauthorized Consumption Billed in FY2018

Unauthorized Months Billed	Number of Accounts	Total Billed
1 month	236	\$23,672.77
2 to 4 months	683	\$157,163.36
5 to 7 months	374	\$164,871.75
8 to 10 months	271	\$165,986.01
11 to 13 months	200	\$145,013.71
14 to 16 months	122	\$118,700.79
17 to 19 months	105	\$107,218.66
20 to 22 months	55	\$63,277.50
23 to 25 months	48	\$54,779.27
26 to 28 months	31	\$39,785.71
29 to 31 months	22	\$35,701.33
32 to 34 months	8	\$8,774.86
35 to 37 months	6	\$6,789.07
38 to 40 months	4	\$6,873.39
41 to 43 months	2	\$2,777.16
44 to 46 months	1	\$4,316.84
47 to 49 months	0	\$0.00
50 to 52 months	1	\$3,888.68
53 to 55 months	2	\$3,472.75
Total	2,171	\$1,113,063.61

Source: Water billing system

Based on our review of August 2018 water meter reading files, approximately 2,900 locations were reported as having water usage, although those locations did not have an active water account. Internal Audit selected a random sample of 77 of the 2,900 locations to determine whether the City had since started billing. Water billing system data indicated that the CFW began billing 42 of the 77 locations after August 2018. Based on Internal Audit’s November 2019 visual observations (from the street), the status of the remaining 35 locations was as follows:

- nine (seven residential and two commercial) sampled locations appeared to be occupied (e.g., observed building signage, trash bin on curb, etc.), but were not being billed as of November 20, 2019;
- seventeen (11 residential and six commercial) locations appeared to be vacant (e.g., observed boarded up property, vacant lot, etc.), and were not being billed as of November 20, 2019; and,
- the occupancy status for the remaining nine (five residential and four commercial) could not be determined. However, they were not being billed as of November 20, 2019.



Section 35-2 of the City's Code of Ordinances indicates that a responsibility of the Water Department is to provide for the establishment of appropriate business procedures, personnel and equipment to ensure adequate record keeping, billing and collection of charges for services rendered. While the Water Department has a process to identify unauthorized consumption, billing for unauthorized consumption is delayed due to the number of locations for which validation is required prior to billing.

Water staff indicated that two staff members are assigned to validate and address unauthorized consumption. Water staff also indicated that prioritization for follow up is necessary, and that they focus on locations that have the longest period or largest unauthorized consumption. Internal Audit did not conduct a staffing analysis. However, for the period June 2019 to July 2019 (for only five water cycles), 847 locations had reported water usage but did not have an active water account.

Unauthorized consumption could unknowingly result when a tenant is of the understanding that the account is being billed to/paid by the landlord or vice versa. It should be noted that since water utility bills include billings for other services such as trash pick-up and stormwater, other revenue sources could be lost if/when customers are not billed for water.

Billing in arrears may result in high balances that are difficult for customers to pay. A comparison of water account write-offs to the number of customers billed in August 2018 indicated that accounts with unauthorized consumption were more likely to be written off than other accounts. Write offs that were less than or equal to the amounts billed for unauthorized consumption in FY2018 totaled approximately \$43,000.00.

Recommendation 3A: *The Water Department Director should continue to identify locations with reported water usage, but no active water account. The Water Director should then ensure that locations validated as having unauthorized/inactive water consumption are billed or the meters locked as soon as possible (e.g., within the confines of applicable law, policy, etc.).*

Auditee's Response: Concur. In 2018, work orders associated with inactive consumption represented 1% of the total workload of the Meter Services section. Work orders requiring immediate response including those associated with service activation/termination, billing rechecks and rereads, necessary repairs/replacement, and delinquency management have historically taken priority over the follow up investigation required for identified inactive consumption. In addition to the work order prioritization, the Utility faces some technical issues related to the inability of the meter reading system to upload inactive account usage into the billing system. As a result, staff is required to research failed uploads. This can be a time consuming process that has created some additional delays in the field follow up activities.

It's important to note that although there is a delay in revenue recovery, the Utility does back bill the customer for unauthorized use. The audit illustrates the amount of revenue that was recovered (\$1.1M) but identified a write off of \$43,000 that may have been recoverable if back billed sooner.

As a result of the finding, the Utility dedicated two Field Service Representatives to inactive consumption work orders. Process changes require monitoring of inactive account usage reports on a daily basis. All services with inactive consumption will be locked and plugged. SOPs have been updated to reflect the new process and staff is working with the meter system vendor to identify any efficiencies that can be implemented to limit the amount of time identifying inactive accounts with unauthorized consumption.

Of the 2,171 accounts identified in the audit, 1,916 are currently actively billing; 255 accounts are still reflected as inactive, all of which have been visited and locked (completed 1/31/2020).



Target Implementation Date: Completed

Responsibility: Meter Services – Water Services Superintendent

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff

Recommendation 3B: *The Water Department Director should ensure that the nine locations that appeared to have been occupied, and the other nine locations (for which we could not make a determination) are reviewed, meters locked and/or billings initiated as deemed appropriate.*

Auditee’s Response: Concur. All accounts identified by the report have been investigated. Of the nine accounts referenced as undetermined, two were found to be in an “active” status, and the seven remaining are locked and not showing usage. Seven were residential and two commercial accounts.

Target Implementation Date: Completed

Responsibility: Meter Services – Water Services Superintendent

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff

Recommendation 3C: *The Water Department Director should evaluate the effectiveness of its current prioritization process for validating whether locations with reported water consumption but no active water accounts represent inactive consumption.*

Auditee’s Response: Concur. The department has reallocated duties within Meter Services to ensure a daily response to accounts that have been identified as having inactive consumption. The division will work to manage the workload of higher priority activities and consider supplementing staff through the use of overtime and contractual support as necessary.

Target Implementation Date: Completed

Responsibility: Meter Services – Water Services Superintendent

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff



4. Goodwill adjustments were administered without written policies and procedures.

Since there were no written procedures governing goodwill adjustments, Internal Audit was unable to determine whether goodwill adjustments were appropriate.

- A residential customer received three adjustments within a six-month period. The customer received a \$1,565.42 goodwill adjustment (in May 2018) approximately three months after receiving a \$3,651.87 leak adjustment. The customer also received a \$393.26 adjustment (in January 2018 - for the months of October, November and December 2017).

City of Fort Worth Account History - Adjustments						
Customer ID: [REDACTED]		Name: [REDACTED]				
Location ID: [REDACTED]		Addr: [REDACTED]				
Cycle/route		Amount due		[REDACTED]		
Initiation date		Pending		[REDACTED]		
Termination date		Customer/location status		[REDACTED]		
Type options, press Enter. S=Display						
Opt	Svc/Type	Adj Date	Description	Amount	Origin Date	Reference Number
-	FW	5/10/18	GOODWILL ADJ WATER	1,565.42-		
-	PR	5/09/18	LATE PAYMENT FEE	2.98-	4/16/18	
-	WA	1/29/18	@ \$4.44	357.20-	10/25/17	
-	WA	1/29/18	@ \$3.69	22.14-	10/25/17	
-	WA	1/29/18	@ \$2.93	13.92-	10/25/17	
-	PR	1/25/18	LATE PAYMENT FEE	116.32-	1/15/18	
-	WA	1/24/18	leak 11/30/2017	2,498.83-	11/15/17	
-	WA	1/24/18	leak 11/30/2017	22.14-	11/15/17	
-	WA	1/24/18	leak 11/30/2017	13.92-	11/15/17	
-	WA	1/24/18	leak 11/30/2017	1,080.92-	12/14/17	
-	WA	1/24/18	leak 11/30/2017	22.14-	12/14/17	
-	WA	1/24/18	leak 11/30/2017	13.92-	12/14/17	
-	PR	3/13/15	LATE PAYMENT FEE	8.48-	1/15/15	
-	PR	3/13/15	LATE PAYMENT FEE	25.06-	1/15/15	

\$393.26

\$3,651.87

Source: Water Billing System

- One residential customer was provided a goodwill adjustment, reportedly due to a misunderstanding between the tenant and landlord.

City of Fort Worth Account History - Adjustments						
Customer ID: [REDACTED]		Name: [REDACTED]				
Location ID: [REDACTED]		Addr: [REDACTED]				
Cycle/route		Amount due		[REDACTED]		
Initiation date		Pending		[REDACTED]		
Termination date		Customer/location status		[REDACTED]		
Type options, press Enter. S=Display						
Opt	Svc/Type	Adj Date	Description	Amount	Origin Date	Reference Number
-	FW	8/07/18	GOODWILL ADJ WATER	147.55-		
-	SD	8/07/18	SAME DAY SERVICE	10.00-	5/18/18	
-	AP	8/07/18	ACTIVATION FEE	20.00-	5/18/18	

Source: Water Billing System

Although Internal Audit recognizes the business need to have flexibility to respond to customer service issues, a lack of detailed written policies and procedures for goodwill could result in different interpretations, as well as inconsistent adjustments. It could also potentially result in more favorable outcomes for some customers. The GFOA specifies that every government should document its accounting policies and procedures.



Recommendation 4: *The Water Department Director should develop written procedures that adequately address goodwill adjustments.*

Auditee's Response: Concur. Existing policies and procedures for “Undefined High use” and “Leak Adjustments” are well established. Courtesy or “good will” adjustments are administered consistent with the spirit and intent of those policies, and allow for Customer Service and Customer Relations managers discretion to correct billing errors and waive late or other delinquency related fees dependent on the situation, allowing them to consider factors such as account and customer payment history. Further, wastewater discharge fees can be waived when evidence indicates that high water usage or leaks did not result in discharge of water into the collection system. Though not every situation that might warrant courtesy or good will adjustments can be anticipated, draft guidelines that define “good will” and other “courtesy” adjustments is currently in development. The guidelines will also document approval thresholds.

Target Implementation Date: March 1, 2020

Responsibility: Jerry Pressley, Assistant Water Director

Applicable Department Head: Chris Harder, Water Department Director

Applicable Interim Assistant City Manager: Dana Burghdoff



Acknowledgements

The Department of Internal Audit would like to thank the Water Department and each user department for their cooperation and assistance during this audit.