

Final Audit

Follow Up

As of March 31, 2006



“Gas Revenues”

(Report #0409, Issued April 12, 2004)

Report #0618

June 15, 2006

Summary

The applicable City departments have completed all 27 action plan steps that were developed for this audit.

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.

The Gas Utility, Utility Business and Customer Services (UBCS) Utility Accounting and Utility Customer Services Divisions, and Growth Management have been responsive in addressing the above 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;
- Establish and document a reasonable and formal meter testing and change out program;
- Make the fee determination process for “light pilot” field activities more timely and efficient;
- Revise city ordinances to authorize the current process of charging customers fees for the disconnection of services

(because of nonpayment), regardless of whether or not the customers have the services restored.

- Conduct periodic accountings of uninstalled meters; and
- Properly and timely create, process, and finalize PeopleSoft CIS field activities and orders.

Completion of these steps, especially in regard to standardization of measurement methods and establishment of a formal meter testing program for locations operating off elevated delivery pressures, has resulted in substantial recoveries, reimbursements, and future savings for both the City and City gas customers.

We appreciate the cooperation and assistance of the Gas Utility, UBCS Utility Accounting and Utility Customer Services Divisions, and Growth Management provided during our follow up process.

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.

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/divisions performing activities that impact gas revenues are the Gas Utility and UBCS Utility Accounting Division. Growth Management and the UBCS Utility Customer Services Division 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.

March 31, 2005, and September 30, 2006. The purpose of this final 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 31, 2005, through March 31, 2006. 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-seven action plan steps were developed to address the identified issues. As shown in Table 1 below, each of those 27 action plan steps has now been completed.

Report #0618

This is our Fourth and final follow up on action plan steps identified in audit report #0409. In our first three follow ups, we reported on the progress and status of efforts to implement action plan steps due as of September 30, 2004,

**Table 1
Action Plan Steps from Report #0409 due as of March 31, 2006, and Current Status**

Action Plan Steps	Current Status
Ensure proper consumption measurement and billing for customers operating off elevated pressures	
UBCS - Utility Accounting	
<ul style="list-style-type: none"> • 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. 	✓ Completed during prior period.
Gas Utility	
<ul style="list-style-type: none"> • 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. 	✓ Completed during prior period.

<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> Track and monitor service points operating off elevated pressures using the PeopleSoft CIS or other system. 	<p>√ Completed during prior period.</p>
<p>Enhance use of the PeopleSoft CIS as a tool to provide accountability and monitor activities</p>	
<p style="text-align: center;">Gas Utility</p>	
<ul style="list-style-type: none"> Provide additional training to applicable staff to ensure the proper and timely creation, processing, and finalizing of PeopleSoft CIS field activities. Ensure appropriate procedures are developed for that purpose. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> Periodically run and review queries to identify PeopleSoft CIS field activities and field orders that (1) remain in pending status beyond a reasonable time and (2) are not properly, logically, and consistently finalized. Take appropriate corrective actions based on the results. 	<p>√ Completed during prior period.</p>

<ul style="list-style-type: none"> Research and charge or refund applicable customers for noted instances where connection and light pilot fees were not charged or were incorrectly charged. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
UBCS - Utility Accounting	
<ul style="list-style-type: none"> Take part in training to ensure staffs in Utility Accounting, Gas Utility, Growth Management, and Utility Customer Services properly and timely create, process, and finalized PeopleSoft CIS field activities. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Determine the most appropriate type of system field activity/order that should be created and dispatched for 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). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ This issue was resolved through an alternative action. Specifically, Utility Services proposed a revision to Section 21-33 of the City of Tallahassee General Code (codified City ordinances) that provides for the applicable fees to be assessed based on the “disconnect” activity instead of the “reconnect” activity. The City Commission approved that proposal. Accordingly, whether or not a customer has gas services restored after being disconnected for nonpayment has no bearing on the fee charged.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> 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.) 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> 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. 	<p>√ Completed during prior period.</p>
<p>UBCS - Utility Customer Services</p>	
<ul style="list-style-type: none"> Revenue Specialists will use the PeopleSoft CIS field activity/order process to request reviews and investigations. 	<p>√ Completed during prior period.</p>
<ul style="list-style-type: none"> Applicable staff will take part in the training provided by Utility Accounting and/or Gas Utility to ensure the proper and timely creation, processing, and finalization of PeopleSoft CIS field activities and orders. 	<p>√ Completed during prior period.</p>
<p>Growth Management</p>	
<ul style="list-style-type: none"> Staff responsible for creating service points and requesting gas taps and meter sets will take part in the training provided by Utility Accounting and/or Gas Utility to ensure the proper and timely creation, processing, and finalization of PeopleSoft CIS field activities and orders. 	<p>√ Completed during prior period.</p>
<p>Eliminate inefficiencies in processing field activities/orders for pilot lights</p>	
<p>Gas Utility</p>	
<ul style="list-style-type: none"> Use automation or alternative methods to make the fee determination process for light pilot field activities/orders more timely and efficient. 	<p>√ Completed during prior period.</p>
<p>Enhance controls for detecting unbilled consumption</p>	
<p>Gas Utility</p>	
<ul style="list-style-type: none"> Conduct semiannual reconciliations of uninstalled meters per PeopleSoft CIS to: (1) uninstalled meters in the meter shop inventory (i.e., warehouse and on trucks) and (2) uninstalled meters reflected in the PeopleSoft Financials System. Research and resolve and differences. Prepare and retain documentation for the semiannual reconciliations and resolution of any differences. 	<p>√ In the prior follow up audit report, we noted that Gas Utility staff had performed periodic reconciliations of uninstalled meters reflected in the PeopleSoft Financials System records to uninstalled meters physically located in the meter shop and on service trucks. During our current audit fieldwork, we noted that Gas Utility staff had substantially completed a reconciliation of the uninstalled meters as reflected in the PeopleSoft CIS records to uninstalled meters in the meter shop and on service trucks. Specifically, of the 463 uninstalled meters reflected in the PeopleSoft CIS, Gas Utility staff had found or accounted for all but 12 meters. Meter shop staff was in the process of researching those 12 meters at the end of our current audit fieldwork. Records of that reconciliation process were maintained. Gas Utility staff indicated that these reconciliations would be conducted periodically.</p>

Ensure meters accurately measure consumption	
Gas Utility	
<ul style="list-style-type: none"> 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. 	✓ Completed during prior period.
<ul style="list-style-type: none"> Maintain records to document the scheduling and testing/change-out of meters in accordance with the established program. 	✓ Completed during prior period.
Eliminate inefficiencies in recordkeeping	
Gas Utility	
<ul style="list-style-type: none"> Train applicable gas meter shop staff in using the PeopleSoft CIS for tracking and accounting for the status of all gas meters. Upon completion of sufficient training and demonstrated understanding by staff, discontinue using the manual card system to account for and track gas meters. Retain the cards for historical reference purposes only (e.g., to show prior meter test dates and results). 	✓ Completed during prior period.

Table Legend:

- Issue addressed in the original audit

✓ Issue addressed and resolved

Conclusion

The applicable City departments have completed each of the 27 action plan steps developed to rectify the issues identified in the initial audit. Completion of several of those steps, especially in regard to standardization of measurement methods and establishment of a formal meter testing program for locations operating off elevated delivery pressures, has resulted in substantial recoveries, reimbursements, and future savings for both the City and City gas customers.

We commend the Gas Utility and Utility Accounting for their efforts and results in completing the remaining action plan steps during this last follow up period.

We appreciate the cooperation and assistance of the Gas Utility, UBCS Utility Accounting and Utility Customer Services Divisions, and Growth Management during the audit follow up process.

Appointed Official's Response

City Manager:

I'm pleased that all action items have been completed satisfactorily. The audit and follow ups provided an opportunity to strengthen internal control and maximize revenues.

Copies of this Final Audit Follow Up or audit report #0409 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>), 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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