


Hernando County Clerk of Circuit Court
Audit Services Department
Follow-Up Audit Report
of
Utilities Billing and Collections
June 7, 2021

MANAGEMENT LETTER

TO: Jeffrey Rogers, County Administrator

VIA: The Honorable Douglas A. Chorvat, Jr.

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 

DATE: June 7, 2021

SUBJECT: Follow-Up Audit of Utilities Billing and Collections Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted a follow-up audit of the Utilities Billing and Collections Audit. Based on limited testing, observations, and communications with key personnel, the audit team produced the attached report for your review. A copy of this report has been forwarded to the Board of County Commissioners as an agenda "Correspondence to Note" item.

The purpose of this report is to furnish management with independent, objective analyses, recommendations, counsel, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. It is not an appraisal or rating of management.

Although the internal audit team exercised due professional care in the performance of this review, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The courtesies and cooperation extended by the employees of the Hernando County Utilities Department and the Clerk of Circuit Court & Comptroller's Financial Services and Information Technology Departments during the audit were sincerely appreciated.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact Audit Services at (352) 540-6235, or just stop by our offices in Room 215.

ATTACHMENT: Utilities Billing and Collections Audit Report

Copy: Gordon Onderdonk, Director of Utilities

Copy: Board of County Commissioners

Chairman John Allocco
Commissioner Steve Champion
Commissioner Wayne Dukes
Commissioner Jeff Holcomb
Commissioner Eliza-Beth Narverud

Copy: Audit Services Planning & Priorities Committee

The Honorable Douglas A. Chorvat, Jr., Clerk of the Circuit Court and Comptroller
Amy Gillis, CPA, CGFO, Director, Financial Services
Jon Jouben, Deputy County Attorney
Tobey Phillips, Deputy County Administrator
Jeffrey Rogers, County Administrator
Toni Brady, Director, Office of Management & Budget
Jeff Wolf, CPA, Senior Audit Manager, MSL P.A.
William Blend, CPA, CFE Shareholder, MSL P.A.

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Executive Summary

The Audit Services Department (ASD) conducted a follow-up audit of the Utilities Billing and Collections Audit dated September 4, 2018. The purpose of this follow-up audit was to determine the status of the previous recommendations for improvement and management's corrective actions.

The purpose of the original Utilities Billing and Collections Audit Review was to assess the internal control environment for the monthly billing and cash collections associated with water and sewer services provided by Hernando County.

To assess the status of previous recommendations, ASD interviewed management and performed limited testing to identify the actual actions taken to implement improvements.

Of the three recommendations in the original audit for Billing System Permission Rights, ASD determined that two were fully implemented and one was partially implemented.

The status of those recommendations are as follows:

- 1.1 – The ASD recommends that management periodically review system permission rights to ensure that they are in alignment with staff members' job responsibilities and adequately segregate incompatible duties.

Fully Implemented

- 1.2 - The ASD recommends that transferred and terminated staff members' access to the Central Square Billing System be disabled on the effective date of the transfer/termination.

Fully Implemented

- 1.3 - The ASD recommends that HCUD discontinue the use of generic IDs and disable them by removing the permission rights associated with them.

Partially Implemented

The status of the one recommendation in the original audit for Verification of Meter Read Reports is as follows:

- 2.1 - The ASD recommends that Hernando County Utilities Customer Service Department implement procedures such as a hash total, to verify that all accounts are included on the Meter Read Reports.

Fully Implemented

ASD commends management for the full implementation of recommended improvements and we encourage management to fully implement all recommendations.

Audit Comment No.	Audit Services Recommendation	Implementation Status				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1.1	The ASD recommends that management periodically review system permission rights to ensure that they are in alignment with staff members' job responsibilities and adequately segregate incompatible duties.	✓				
1.2	The ASD recommends that transferred and terminated staff members' access to the Central Square Billing System be disabled on the effective date of the transfer/termination.	✓				
1.3	The ASD recommends that HCUD discontinue the use of generic IDs and disable them by removing the permission rights associated with them.			✓		
2.1	The ASD recommends that Hernando County Utilities Customer Service Department implement procedures such as a hash total, to verify that all accounts are included on the Meter Read Reports.	✓				

Acknowledgement

Other minor findings not included in the attached report were communicated to management and/or corrected during fieldwork.

Fieldwork was performed by: Vicky Sizemore, Internal Auditor

This report was reviewed and authorized by Douglas A. Chorvat, Jr. Clerk of Circuit Court and Comptroller.



Douglas A. Chorvat, Jr.

6/13/2021

Date

BACKGROUND INFORMATION

The Board of County Commissioners adopted the following Resolutions that established the fees and charges for the County's water and wastewater systems.

- Resolution Number 2009-121 adopted June 9, 2009 - Established the schedule of service fees for the County's water and wastewater systems.
- Resolution Number 2014-63 adopted May 13, 2014 – In accordance with the Board of County Commissioners obligation to offset the costs of operating the water and wastewater utility systems, the Board amended the monthly base rates and usage charges for commercial and residential water and wastewater, irrigation rates, and charges for temporary services.
- Resolution Number 2015-50 adopted April 28, 2015 - Amended and/or corrected a few typographical mistakes related to procedures and fees established by Resolution 2009-121, Sections three and four. Section three addressed service fees for transfers, account reinstatements, disconnections for delinquent payment. Section four addressed the temporary disconnect fee.
- Resolution Number 2016-198 adopted December 6, 2016 – Established the schedule of fees for septic/chemical toilet wastewater system located at the Airport and the Glenn Wastewater Treatment plants.
- Resolution Number 2019-151 adopted September 24, 2019 – Revised utility deposits for water and wastewater service, tap-in fee and charges, water and wastewater service rates, miscellaneous charges, and temporary water service rates, fees, and charges.

To accomplish their business objectives, HCUD contracts with Sunstate Meter & Supply, Central Square, and Cathedral Corporation. The contract with Sunstate Meter & Supply is for Neptune radio read meters, supplies, and operational software. The contract with Central Square is for the software utilized for billing and payment processing. The contract with Cathedral Corporation is for the printing and mailing of the monthly water and sewer bills to HCUD customers.

OBJECTIVE

The purpose of this follow-up audit of the Utilities Billing and Collections Audit was to assess the status of previous recommendations for improvement.

The purpose of the original review was to obtain reasonable assurance that:

- Permission rights to the HCUD Central Square Plus Billing System were appropriate for staff members' job responsibilities
- Billing rates set-up in the system agreed with the County Resolution
- Meter Readings were evaluated for accuracy
- Delinquent charges were assessed in accordance with County policy
- Credit balance accounts were reviewed and refunds properly processed
- Connection fees were properly assessed and collected

- Adjustments to customer accounts were authorized and in accordance with the billing adjustment policy
- Collections for customer accounts were properly recorded in the Utilities Billing System and the eFinance Plus General Ledger System

SCOPE

To determine the current status of the previous recommendations, ASD interviewed management and staff members and performed limited testing to assess the actual actions taken by management to implement operational improvements.

Follow-up testing was performed during the timeframe of March through April 2021. The original audit period during which samples were selected was Fiscal Year 2016/2017.

This audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

Opportunity for Improvement	Description	Page Reference
1.1	Implement periodic review of staff members' Central Square Billing System Permission Rights	11
1.2	Disable transferred and terminated staff members' access to the Central Square Plus Billing System	11-12
1.3	Discontinue the use of generic User IDs for processing the billing cycle	12
2.1	Implement procedures to verify that all accounts are included on the Meter Read Report	13

Discussion Points
Status of Recommendations

This section reports the follow-up actions taken by management regarding Opportunities for Improvement reported in the Utilities Billing and Collections Audit dated September 4, 2018. The audit comments and recommendations contained herein are those of the original audit, followed by the current status of the Opportunity for Improvement.

Discussion Point 1: Superior Billing System Permission Rights

The Hernando County Utilities Department utilizes Central Square, formerly known as Superior, software for customer billing and payment processing for water, sewer, and trash services.

Permission rights also referred to as access rights are defined as "The permissions that are granted to a user, or to an application, to read, write and erase files in the computer. Access rights can be tied to a particular client or server, to folders within that machine or to specific programs and data files."¹ HCUD Customer Service Department staff members are assigned permission rights within the Central Square Billing system, which enable them to perform tasks such as, set-up new accounts, upload consumption data, post payments, post adjustments, close accounts, and modify the billing rates.

The audit team identified improvement opportunities in the following key areas:

1.1 Opportunity for Improvement: Implement periodic review of staff members' Central Square Permission Rights

Staff members' permission rights appeared to exceed their job responsibilities potentially resulting in a lack of segregation of incompatible duties.

Recommendation: The ASD recommends that management periodically review system permission rights to ensure that they are in alignment with staff members' job responsibilities and adequately segregate incompatible duties.

Status: Fully Implemented

1.2 Opportunity for Improvement: Disable transferred and terminated staff members' access to the Central Square Billing System

User IDs for transferred and terminated staff members were not disabled in the HCUD Central Square Billing System. While terminated staff members' ability to access the system was prevented at the network level, this was not the case for staff members that transferred to other County Departments. As a result, transferred staff members could potentially manipulate data.

¹ Definition obtained from PC Magazine Encyclopedia.
<https://www.pcmag.com/encyclopedia/term/37395/access-rights>

Recommendation: The ASD recommends that transferred and terminated staff members' access to the Central Square Billing System be disabled on the effective date of the transfer/termination.

Status: Fully Implemented

1.3 Opportunity for Improvement: Discontinue the use of generic User IDs for processing the billing cycle

Generic User IDs were utilized to process the HCUD billing cycles. Utilizing generic User IDs results in a lack of accountability.

Recommendation: The ASD recommends that HCUD discontinue the use of generic IDs and disable them by removing the permission rights associated with them.

Status: Partially Implemented

The review determined that all generic IDs, with the exception of one, were not being utilized. None of the generic IDs were disabled.

Discussion Point 2: Verification of Meter Read Reports

After a successful pilot program, Hernando County Utilities implemented radio read meters in 2007. The Board of County Commissioners approved the contract and subsequent renewals with Sunstate Meter and Supply, Inc. for the provision of Neptune direct read water meters, supplies, and operational software.

The implementation of the radio read meters has enabled the Service Representatives to electronically obtain customers' consumption amounts. The Service Representatives then provide the consumption data to the Billing/Collections department. The Billing/Collections staff members upload the consumption data to the Central Square Billing System. The billing system generates exception reports for unusual consumption amounts. The accounts included on the exception reports are investigated by HCUD Customer Service Department personnel prior to processing the billing cycle.

The team identified improvement opportunities in the following key area:

2.1 **Opportunity for Improvement: Implement procedures to verify that all accounts are included on the Meter Read Report**

The ASD was unable to verify the July consumption amount for seventeen of the fifty accounts randomly selected for testing because either the accounts were not displayed on the electronic copy of the Meter Read Report or staff members did not save a copy of the applicable Meter Read Report. In reference to the issue in which accounts were not displayed on the electronic copy of the report, HCUD Customer Service Department Management immediately contacted the vendor and resolved this deficiency.

Recommendation: The ASD recommends that Hernando County Utilities Customer Service Department implement procedures, such as a hash total, to verify that all accounts are included on the Meter Read Reports. "A hash total is a sum of arbitrarily assigned numerical values computed as a verification device for documents or records".²

Status: Fully Implemented

² Definition obtained from Business Dictionary
www.businessdictionary.com/definition/hash-total.html