

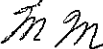


Hernando County Clerk of Circuit Court
Audit Services Department
Audit Report
Of
Utilities Billing and Collections Audit
September 4, 2018

MANAGEMENT LETTER

TO: County Administrator Leonard Sossamon

VIA: The Honorable Don Barbee, Jr. 

FROM: Elizabeth Hogan, CIA, CFE, Director of Audit Services 
Mike Martin, CPA, Internal Auditor 

DATE: September 4, 2018

SUBJECT: Utilities Billing and Cash Collections Audit

In accordance with the Audit Services Department's Audit Project Schedule, the internal audit team conducted an audit of Utilities Billing and Cash Collections. Based on testing, observations, and communications with key personnel, the audit team produced the attached report for your review. Management's responses to the recommendations are also included. A copy of this report has been forwarded to the Board of County Commission as an agenda "correspondence to note" item.

The purpose of this report is to furnish management 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 audit, 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 Utilities Billing and Customer Service Department, Utilities Engineering Department, Technology Services Department and the Clerk of Court & Comptroller's Department of Financial Services 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) 540-6589 or (352) 325-6034, or just stop by our offices in Room 362.

ATTACHMENT: Utilities Billing and Cash Collections Audit Report

Copy: Gordon Onderdonk, Hernando County Utilities Director

Copy: Board of County Commissioners

Chairman Steve Champion
Commissioner John Allocco
Commissioner Wayne Dukes
Commissioner Jeff Holcomb
Commissioner John Mitten

Copy: Audit Services Planning & Priorities Committee

The Honorable Don Barbee, Jr., Clerk of the Circuit Court and Comptroller
Amy Gillis, CPA, CGFO, Director, Financial Services
Jon Jouben, Deputy County Attorney
Bert Martinez, CPA, Manager, Purvis Gray & Company
Helen Painter, CPA, Partner, Purvis Gray & Company
Leonard Sossamon, County Administrator
Jeffrey Rogers, Deputy County Administrator
Mark White, CPA, Partner, Purvis Gray & Company
George Zoettlein, Interim Budget Director, Office of Management & Budget

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Executive Summary

The Audit Services Department (ASD) conducted an audit of Hernando County's Utilities Customer Service Department's Utility Billing and Cash Collections processes. The purpose of this audit 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 accomplish this review, we obtained an understanding of the processes for billing, collections, delinquent charges, adjustments, refunds, and connection fees. County Ordinances, Resolutions and policies and procedures were reviewed and transactions were selected for testing.

Based on the results of the tests performed, the correct rates were charged, and the bills were mathematically correct; collections were properly recorded in the Utilities Billing system and the general ledger; delinquent charges were accurately assessed; adjustments were properly approved, supported, and input by authorized staff members; refunds were properly approved; and the correct connection fees were charged and collected. Although test results were generally positive, our review also disclosed several Opportunities for Improvement as specified in the following discussion points.

Discussion Point 1: Superion System Permission Rights

There were three Opportunities for Improvement identified that were related to system permission rights.

First, Hernando County Utilities Department (HCUD) Customer Service Department staff members appeared to be assigned roles and responsibilities that exceeded their job responsibilities, resulting in a potential lack of segregation of incompatible duties.

Second, user IDs for transferred and terminated staff members were not disabled in the HCUD Superion 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.

Third, generic user IDs were utilized to process the HCUD billing cycles. The use of generic user IDs results in a lack of staff accountability.

Discussion Point 2: Verification of Meter Read Reports

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.

Because the ASD was unable to verify the consumption amount included on the July bill for all of the accounts randomly selected for review, the original scope of the audit was expanded to include testing of the December 2017 billing cycle for the impacted accounts. The amount billed in December for these accounts was verified without exception.

Acknowledgement

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

Fieldwork was performed by:

Elizabeth Hogan, CIA, CFE, Director of Audit Services
Michael Marfin, CPA, Internal Auditor

Management's response was provided by: Nancy Stoops-Libengood, Utilities Business Manager
Management's response was approved by: Jeffrey Rogers, Deputy County Administrator

This report was reviewed and authorized by Don Barbee, Jr. Clerk of Circuit Court and Comptroller.



Don Barbee, Jr.

9-4-15

Date

BACKGROUND INFORMATION

Hernando County's Utilities Department (HCUD) provided water, wastewater, and reclaimed water services to 59,952 water customers and 28,778 sewer customers in Fiscal Year (FY) 2017. The water consumption average daily flow (MGD) for FY 2017 was 18.766 gallons. ¹ Total Revenue for Services was \$33.7 million and \$31.1 million in FY 2017 and FY 2016, respectively.²

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.

To accomplish their business objectives, HCUD contracts with Sunstate Meter & Supply, Superior, LLC, and Cathedral Corporation. The contract with Sunstate Meter & Supply is for Neptune radio read meters, supplies, and operational software. The contract with Superior, LLC 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.

OBJECTIVES

The objectives of this audit were to obtain reasonable assurance that:

- Permission rights to the HCUD Superior 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 Finance Plus General Ledger System

¹ Comprehensive Annual Financial Report Hernando County, Florida for the Fiscal Year Ended September 30, 2017, C-20 & C-21.

² Sungard Pentamation Revenue Comparison Report, Fund-4111, Hernando County Utilities

SCOPE

To accomplish the audit objectives, the Audit Services Department performed the following procedures:

- Interviewed key personnel
- Using Computer Assisted Audit Techniques selected random samples of HCUD account billings, adjustments, connection fees and collections for testing
- Reviewed Superion system permission rights
- Obtained and reviewed relevant County Resolutions, Ordinances, and policies and procedures

The audit period was October 1, 2016 through July 31, 2017 for the review of utility billing transactions, water and sewer connection fees, refunds, and delinquent charges.

- Fifty (50) Utility Billing transactions for July 2017
- Twenty-five (25) Water and Sewer Connection Fees
- Twenty (20) Escrow Deposit Refunds
- Twenty-five (25) delinquent accounts

For the review of utility billing account adjustments and utility account collections, the original audit scope was expanded as follows:

- Fifty (50) Utility Account Adjustments for Fiscal Year (FY) 2016/2017
- Fifty (50) Utility Account Collection transactions for July 2017 through December 2017

In addition, to the random samples of transactions other tests performed included the following:

- Staff members' Superion Billing System permission rights
- Seventeen (17) Utility Billing transactions for December 2017 – Expanded original scope of the audit
- Three (3) judgmentally selected higher dollar Account Adjustments for FY 2016/2017
- Review of User IDs for billing adjustment entries

Opportunity for Improvement	Description	Page Reference
1	Implement periodic review of staff members' Superion Billing System permission rights	9
2	Disable transferred and terminated staff members' access to the Superion Billing System	9
3	Discontinue the use of generic user IDs for processing the billing cycle	10
4	Implement procedures to verify that all accounts are included on the Meter Read Report	10 - 11

Discussion Points

Discussion Point 1: Superior Billing System Permission Rights

The Hernando County Utilities Department utilizes Superior, LLC 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."³ HCUD Customer Service Department staff members are assigned permission rights within the Superior 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.

1. Opportunity for Improvement: Implement periodic review of staff members' Superior Billing System 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.

Management Response: The department concurs and will implement a review of system permission rights to be conducted twice a year. System user roles, permissions and access would be defined, listed by job description and documented.

2. Opportunity for Improvement: Disable transferred and terminated staff members' access to the Superior Billing System

User IDs for transferred and terminated staff members were not disabled in the HCUD Superior 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.

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

Management Response: The department concurs and has recently identified and implemented the disabling of software access to be coordinated via IT work orders and/or by HR work orders during employee transfers and/or terminations. Upon receipt of the work order, IT would disable system access of transferred or terminated employees.

³ Definition obtained from PC Magazine Encyclopedia.
<https://www.pcmag.com/encyclopedia/term/37395/access-rights>

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.

Management Response: The department concurs and will work with the IT department to discontinue the generic user ID "billing" that was established for processing the billing cycle and replace with user ID "billing + employee initials" (for example "billingdc" would identify user Dorine Craig, "billingsa" would identify user Sandra Arnold and "billingre" would identify user Ryan Erbe). Permissions for generic ID "custsvc" have been removed from the utility billing software.

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 Superior Billing System. The Superior 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.

4. **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".⁴

⁴ Definition obtained from Business Dictionary
www.businessdictionary.com/definition/hash-total.html

Management Response: The department concurs and has already implemented an additional page-by-page review of Neptune data reports before saving them to the network drive. The "hash total" process will include a comparison and verification of the number of routes loaded (to be read) into the Neptune software versus the number of routes unloaded (which have been read). This process will be included in the billing checklist and the implementation of this process will include documented staff training.

