



Follow-Up Performance Audit:

Why We Did This Audit

This audit follows up on our January 2003 report on the billing and collection of water and sewer service charges and our February 2003 review of the competitive business plan for the new Bureau of Water.

We reviewed the current billing and collection process in the Department of Watershed Management, Bureau of Water. We also reviewed the extent to which our previous recommendations had been implemented.

At the time of our previous reviews, United Water Services Unlimited Atlanta, LLC, handled billings and collections. These functions returned to the city in late April 2003.

What We Recommended

We recommended that the department begin the collection process sooner following an account delinquency, for greater collection effectiveness.

Specifically, the department should:

- shut off services when bills are 30 days past due,
- refer delinquent accounts to the city's collection agency when 90 days past due,
- promptly research and refer accounts to the Department of Finance for potential property liens when they have not been settled with the collection agency within a reasonable time,
- promptly and properly write off uncollectible accounts,
- develop a collection strategy that targets the large delinquent residential population, in addition to focusing on the 200 accounts with the largest delinquent balances, and
- pursue legal action against customers who turn their water back on after the department has shut it off for nonpayment.

We also recommended that the department implement all of our previous recommendations, many of which had not been fully implemented.

Billing and Collection of Water and Sewer Service Charges

What We Found

The Department of Watershed Management's collection efforts do not begin quickly enough to be effective. The entire collection process, including termination of services, referral to the collection agency, and the use of property liens, usually occurs after an account has been delinquent for so long that it has little probability of being collected. As a result, the department's collection rate decreased and accounts receivable (uncollected revenue) increased since the department took over these operations from United Water in April 2003.

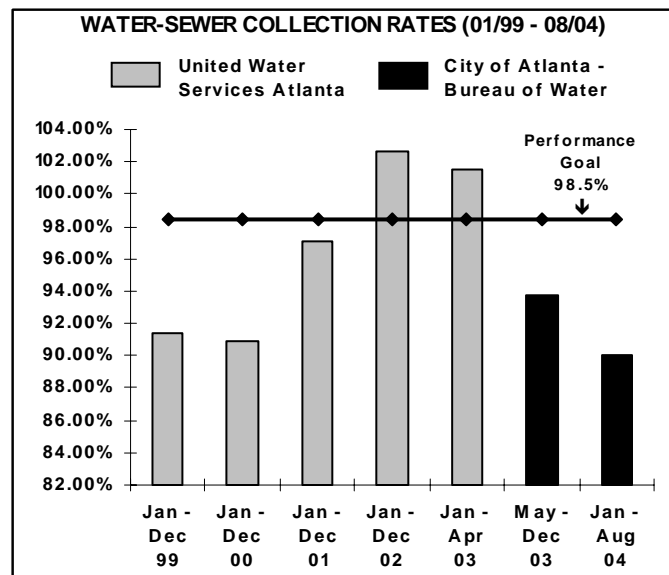
Specifically, we found:

- It took the department an average of 103 days to collect bills that are due within 15 days of the billing date.
- The Code requires services to be shut off no later than 30 days after the bill's due date; delinquent residential accounts were not shut off until they reached \$700, which took an average of 10 months in 2003. Multiple shut offs often occurred on the same account.

A limited number of delinquent accounts were referred to the city's collection agency or recommended for property liens.

As a result,

- The average water and sewer collection rate was 91.65 percent from May 2003 through August 2004 - well below the department's 98.5% performance goal.



- The low collection rate caused accounts receivable to increase \$26.6 million (49%), from \$54.7 million at the end of April 2003 to \$81.3 million at the end of August 2004.