

**Performance Audit:
Water Billing and Collections**

December 2023

**City Auditor's Office
City of Atlanta**

File #23.08



CITY OF ATLANTA
City Auditor's Office
Amanda Noble, City Auditor
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Performance Audit:

Water Billing and Collections

What We Found

Watershed Management has not consistently enforced water shutoffs for nonpayment since 2010. In addition to revenue loss, lack of enforcement creates inequity among customers. Staff told us that a previous mayoral administration implemented an unofficial and undocumented moratorium on water service termination for nonpayment in consideration for customers affected by the recession. Mayor Bottoms' administration suspended water shutoffs for nonpayment in 2020 in response to the COVID-19 pandemic. Between 2010 and 2022, the department only terminated water service due to nonpayment for 737 accounts.

As of June 2023, over 54,000 customer accounts accounted for a total delinquent balance of about \$197.8 million, including \$137 million for active accounts. Watershed Management's delinquent collection threshold of \$500 does not align with its collectability tier. As of September 2023, the over 91,000 accounts were between 30 days and one year delinquent, totaling \$64.8 million, but the department may only be able to collect about \$17.6 million from these accounts. The department's current write-off practices do not reflect their written procedures; there are accounts eligible for write-off, but the department has not completed a legislative write-off since November 2019.

Watershed Management's monthly bill estimation rate is higher than industry benchmarks and has doubled since 2020. The increase in estimated reads may be due to insufficient field staff to investigate meter malfunctions promptly and a backlog of unresolved meter investigation and repair work orders. We also found that employees across several Watershed Management divisions entered A-bills (a type of billing adjustment) between July 2020 and 2023, and A-bill adjustments of less than \$5,000 do not require supervisory review or approval. The department has standard operating procedures for various billing and collections activities, but several were in draft form, undated, or do not reflect current practice.

Why We Did This Audit

We undertook this audit because the Department of Watershed Management has not consistently enforced collections. During the COVID-19 pandemic, the department suspended termination of water service for nonpayment. City Council expressed concerns about collections and the amount of uncollectible debt the department has not yet written off.

What We Recommended

To support enforcement efforts, the watershed management commissioner should:

- develop and publish a delinquency policy on the website
- enforce water service termination for nonpayment according to the delinquency policy
- design and implement a more effective collection strategy
- write off uncollectible debt in accordance with law and policy
- hire enough staff to maintain or replace infrastructure and consider using a contractor for backlog of escalated requests
- implement an A-bill adjustment policy and procedure with thresholds review thresholds and restrict use of A-bills to billing and CAST (Customer Assurance and Satisfaction Team) teams
- develop, document, and maintain up to date policies and procedures for water billing and collections

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
<p>Recommendation #1:</p> <p>We recommend that the Commissioner of Watershed Management develop and publish on the department's website a delinquency policy that includes the timeframe for termination as well as any fees, and necessary actions taken by the department and customer.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): December 2023</p>
<p>Recommendation #2:</p> <p>We recommend that the Commissioner of Watershed Management enforce water service termination due to nonpayment in compliance with the department's delinquency policy.</p>		
<p>Response: Agree</p>	<p>Status: Implemented</p>	<p>Estimated Completion Date (M/Y): February 2023</p>
<p>Recommendation #3:</p> <p>We recommend that the Commissioner of Watershed Management design and implement a timely collection strategy that includes policies and procedures for collections, termination of service, and write offs.</p>		
<p>Response: Partially Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #4:</p> <p>We recommend that the Commissioner of Watershed Management write off uncollectible debt in accordance with law and policy.</p>		
<p>Response: Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): January 2024</p>
<p>Recommendation #5:</p> <p>We recommend that the Commissioner of Watershed Management hire enough staff to maintain or replace infrastructure and consider using a contractor to handle the backlog of escalated requests.</p>		
<p>Response: Partially Agree</p>	<p>Status: Started</p>	<p>Estimated Completion Date (M/Y): December 2029</p>

Recommendation #6:

We recommend that the Commissioner of Watershed Management implement an A-bill adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts and restrict access to create A-bill adjustments to the billing and CAST teams.

Response:

Agree

Status:

Started

Estimated Completion Date (M/Y):

June 2024

Recommendation #7:

We recommend that the Commissioner of Watershed Management develop, document, and maintain up to date policies and standard operating procedures for billing and collection tasks and processes.

Response:

Agree

Status:

Started

Estimated Completion Date (M/Y):

June 2024



CITY OF ATLANTA

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December 7, 2023

Honorable Mayor and Members of the City Council:

We undertook this audit because the department had not consistently enforced collections and City Council expressed concerns about collections and the amount of uncollectible debt yet to be written off.

Management agreed with five and partially agreed with two of our recommendations, which focus on enforcing water termination due to nonpayment, implementing a timely collection strategy, writing off uncollectible debt, addressing a backlog of escalated requests, ensuring proper oversight of account adjustments, and updating and maintaining current policies and procedures.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on October 10, 2023, and received their response on November 17, 2023. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Myra Hagley, Ijgayehu Jones, and Anijarae Dade.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Water Billing and Collections

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Introduction

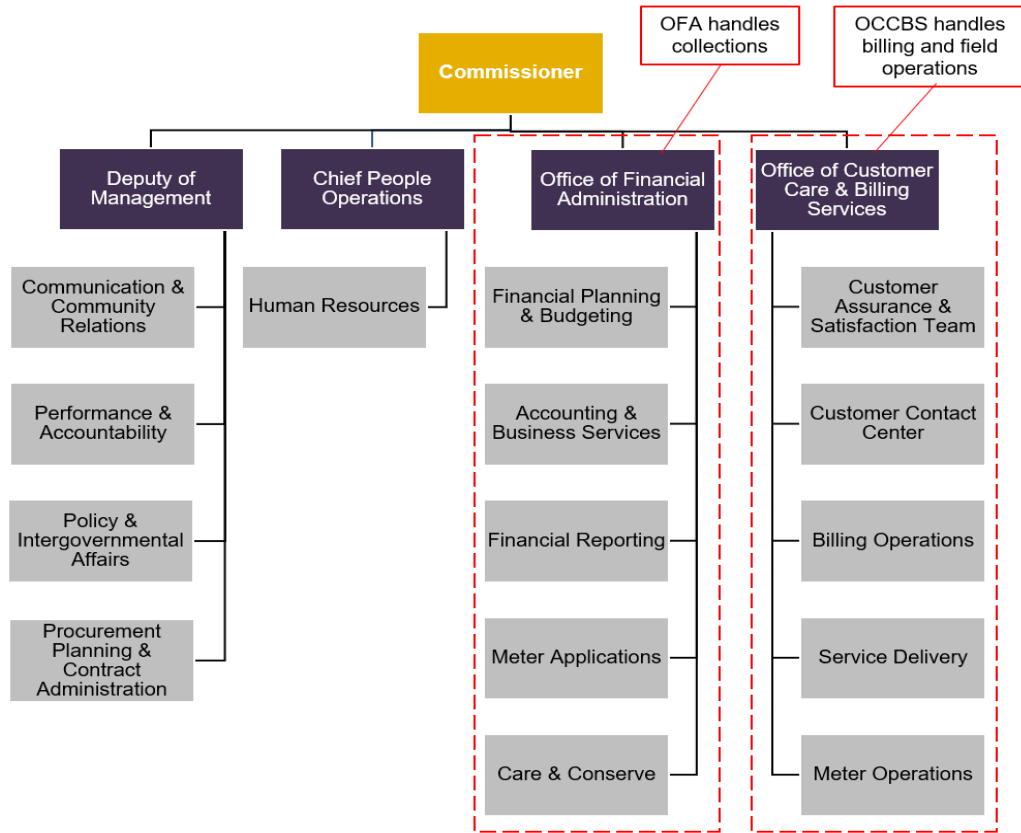
The Department of Watershed Management bills approximately 170,000 residential, commercial, and industrial customer accounts in Atlanta, and Fulton and DeKalb Counties monthly. The department had not consistently enforced collections. During the COVID-19 pandemic, the department focused on continuity of service and suspended termination of water service for nonpayment. City Council expressed concerns about collections and the amount of uncollectible debt the department had not yet written off. In this audit of water billing and collections, we assess controls in place to ensure that the department is following standard practices for water billing and collections, and that adjustments and write-offs are appropriate.

Background

Watershed Management (Department of Watershed Management) provides high-quality drinking water and wastewater services to residential, businesses and wholesale customers while protecting Atlanta's urban waterways, conserving natural resources, and providing clean, safe water for downstream customers.

The customer billing and collections functions are managed by two offices within Watershed Management. The Office of Customer Care & Business Services handles customer service, which includes customer relations, meter field operations, and billing. Billing includes adjustment requests and requests for Water and Sewer Appeals Board hearings. The Office of Financial Administration handles Watershed Management's financial management, which includes budgeting, planning, rate-setting, accounting, collections, expenditure tracking, procurement planning, and the Care and Conserve program, which helps residential customers who have past due balances on their water bills. Exhibit 1 shows where these sections are located on the organization chart.

Exhibit 1: Two Offices Manage Billing and Collections Operations



Source: Developed by auditors based on information from Watershed Management’s website

Watershed Management is Funded by the Water and Wastewater Revenue Fund

The department’s operating budget is derived from the city’s Water & Wastewater Revenue enterprise fund. The fund is supported by charging customers for water and wastewater services. In fiscal year 2023, the department’s operating budget was \$239 million, a 4% increase from fiscal year 2022. As shown in Exhibit 2, operating revenues generated by service charges remained relatively flat from fiscal year 2018 to fiscal year 2022. The operating revenue increased in fiscal year 2023, which may be a result of improved enforcement. The department’s revenues are also supported by revenues from the Municipal Option Sales Tax, established in 2004 and since renewed by City of Atlanta voters in 2008, 2012, and 2016. Overall expenses have decreased since fiscal year 2019.

Exhibit 2: Water Billing Operating Revenue Remained Flat From FY18 to FY22 (in thousands)

	FY18	FY19	FY20	FY21	FY22	FY23
Operating Revenue						
Water and wastewater service charges	\$451,630	\$451,690	\$451,898	\$431,226	\$458,207	\$465,542
Sewer service charges from other governmental units	\$17,669	\$19,572	\$21,150	\$20,983	\$21,701	\$24,176
Other	\$8,833	\$16,827	\$5,349	\$940	\$2,176	\$4,230
Total Operating Revenue	\$478,132	\$488,089	\$478,397	\$453,149	\$482,084	\$493,948
Non-Operating Revenue						
Municipal Option Sales Tax revenue	\$145,244	\$154,634	\$146,696	\$154,957	\$191,686	\$203,494
Investment income	\$17,161	\$127,572	\$29,412	\$8,284	\$27,654	\$24,259
Total Non-Operating Revenue	\$162,405	\$282,206	\$176,108	\$163,241	\$219,340	\$227,753
TOTAL REVENUE	\$640,537	\$770,295	\$654,505	\$616,390	\$701,424	\$721,701

Operating expenses						
Total Operating Expenses	\$348,842	\$334,490	\$328,492	\$353,911	\$316,458	\$409,560
Non-Operating Expenses						
Interest expense	\$128,893	\$143,440	\$135,411	\$108,438	\$124,553	\$121,219
Other expense	\$2,176	\$5,269	\$2,005	\$3,122	\$0	\$498
Total Non-Operating Expenses	\$131,069	\$148,709	\$137,416	\$111,560	\$124,553	\$121,717
TOTAL EXPENSES	\$479,911	\$483,199	\$465,908	\$465,471	\$441,011	\$531,277

Source: Fiscal Years 2018-2022 Annual Comprehensive Financial Reports and the Fiscal Year 2023 unaudited financial statement provided by Watershed Management as of November 8, 2023

Watershed Management’s accounts receivables are the amounts owed for water and wastewater services provided to customers. Watershed Management’s allowance for doubtful accounts is calculated based on GAAP (Generally Accepted Accounting Principles) requirements and is designed to reflect the diminishing likelihood of collecting on an account as it ages. This allowance—referred to as “bad debt”—is adjusted periodically based on the age of the debt, the account’s status of “active” vs “inactive,” whether the customer has established and is paying into a payments plan, and other factors. Certain accounts may be written off if attempts to collect have been made. Generally, active accounts cannot be written off if there is any opportunity for collection.

Based on data received from Watershed Management staff, the department’s estimated bad debt expense was \$15,683,602 in fiscal year 2022. Exhibit 3 shows the department’s bad debt expense for the last seven fiscal years.

Exhibit 3: The Department Did Not Expect to Collect \$15 Million in FY22

Fiscal Year	Water Services Allowance	Sewer Services Allowance	Total Bad Debt Expense
FY22	\$6,779,719	\$8,903,883	\$15,683,602
FY21	\$9,042,065	\$11,862,451	\$20,904,514
FY20	\$9,644,849	\$12,527,218	\$22,172,068
FY19	\$8,755,055	\$11,371,508	\$20,126,563
FY18	\$9,958,778	\$15,731,896	\$25,690,674
FY17	\$4,971,507	\$10,093,665	\$15,065,171
FY16	\$7,033,910	\$14,280,970	\$21,314,880

Source: Developed by auditors based on bad debt expense report provided by Watershed staff

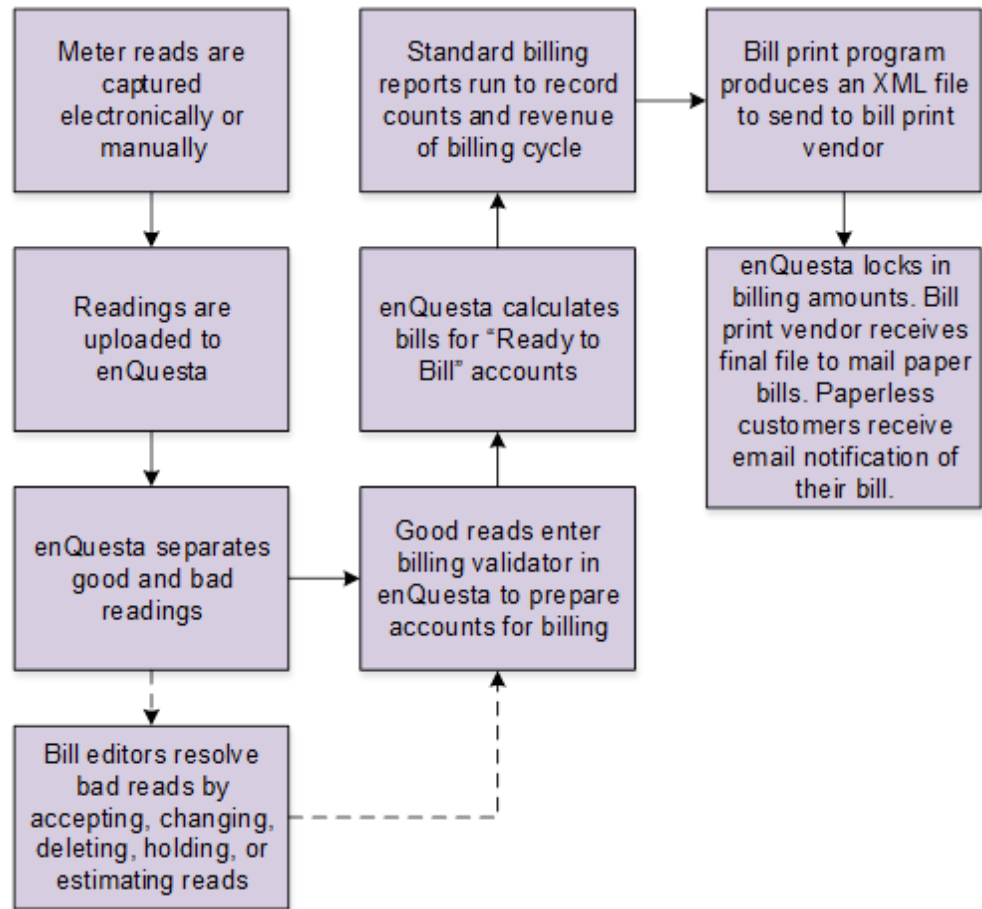
Meter Reads Are Reviewed Before Billing

Watershed Management bills customer accounts monthly based on water consumption. Customer accounts are divided among 45 billing cycles and assigned to routes. The staff read meters for assigned routes each day. Meter readings are captured either electronically from automated meters or manually if the automated meters are not functioning properly. When a reading cannot be obtained for a meter either manually or electronically, the usage for an account will be estimated. The meter readings are uploaded into enQuesta, the department’s billing system.

enQuesta separates the uploaded reads into “good reads”—reads that are not flagged as abnormal, and “bad reads”—reads that indicate negative water consumption, zero consumption, above or below average consumption, duplicate reads, or no read for an account. Billing staff review bad reads before issuing the bill to the customer. If no read is captured, enQuesta estimates the usage for the account; for all other bad reads, billing staff review the account and estimate, change, or accept the read, or put the account on hold until the issue can be resolved. In November 2022, the department upgraded to a newer version of enQuesta that allows “on-demand billing,” in which accounts

with good reads that do not require edits can continue through the billing process while the bad reads uploaded at the same time are edited. When the reads for an account are correct, the account is marked “ready to bill” and can proceed through the billing process in enQuesta. Staff run reports to record revenue for the billing cycle, then sends a billing file to a third-party vendor, who prints and mails bills to customers who receive paper bills. enQuesta sends email notifications to customers who have chosen paperless billing. The department sends bills to customers within 3 to 5 days of the meter reading. Bills are due 17 days from the bill date. Exhibit 4 provides a brief illustration of the billing process from meter read to billing.

Exhibit 4: Bills Will Be Estimated If Reads Are Not Captured Electronically



Source: Developed by auditors based on interviews and department standard operating procedures

City Code Allows Adjustments for Billing Errors, Fees, and Leaks

City Code Chapter 154 Article II Section 154-28 establishes the parameters for administering bill adjustments to accounts for billing errors, fees, leaks, and meter leaks. Leak adjustments are granted for leaks or vandalism that damages the plumbing on the customer's property, and meter leak adjustments are granted for leaks within the meter or between the meter and the customer property line, or other meter changes and repairs that impact usage. Adjustments for billing errors, fees, or meter leaks can be granted without an application from the customer and can be issued regardless of amount. In general, credits for leak repairs are limited to up to two affected billing periods for each rolling 12-month period, and adjustments over \$5,000 for the water bill must be approved by City Council. Adjustments cannot be made for water or sewer charges due and payable more than a year prior unless an adjustment request was submitted within a year of the charges, but not processed by the city within the year. City code, however, allows the commissioner to issue leak adjustments for any period of time or amount if the customer can demonstrate that significant infrastructure repairs were conducted and decreased water usage. Watershed Management drafted a standard operating procedure that provides criteria for determining when a customer is eligible for an infrastructure improvement adjustment.

Customers can seek an adjustment by submitting an adjustment request form. Adjustment requests must pertain to charges due and payable within 12 months prior to the request and must identify the billing periods in question and the type of adjustment requested. If the customer had a leak repaired, the customer must include evidence of the repairs, such as invoices or photos. Customers are only eligible for leak repair adjustments if the leak has been repaired and the repair causes the usage to decrease.

Customers can submit an adjustment request form via mail, email, online, or in-person. All adjustment requests are received by the Watershed Management CAST (Customer Assurance and Satisfaction Team), which handles escalated service requests. CAST processes adjustment requests for meters smaller than 1.5 inch and forwards large meter adjustment requests –1.5 in. or greater—to the billing team. CAST staff send an acknowledgment of receipt to the customer and establish a temporary payment amount the customer must pay while an adjustment request is pending. The CAST adjustment team then confirms that the temporary payment has been made.

For small meter adjustment requests, CAST staff review the customer's account information and evidence submitted. If necessary, the

reviewer will also submit any work orders necessary for field staff to ensure equipment is working. Once the review is completed, staff sends a written adjustment decision to the customer stating whether the adjustment has been granted or denied and the basis for the decision. CAST staff will update the account accordingly and enter the adjustment, if warranted. The billing team processes large meter adjustment requests. Billing staff receive the adjustment request from CAST and proceed with a similar process. Billing staff review the account and documentation and issue any necessary work orders to inspect equipment to determine whether an adjustment should be made. Once a decision is reached, the department sends a written decision to the customer, and billing staff update the account.

Watershed Management staff can adjust accounts using either of two methods: A-bills and quick adjustments. A-bills include both reversal and replacement of a customer's bill, depending on the reason for the adjustment. If a customer's bill was overestimated, department staff can use an A-bill reversal to reverse the original bill, and then create an A-bill replacement to send a corrected bill. If a customer is moving or closing their account and receives another bill after the final bill, staff only need to do an A-bill reversal. Quick adjustments are similar to a credit added to an account; it allows staff to manually adjust the account balance rather than actually reversing and issuing new bills. enQuesta restricts the dollar amount that staff can adjust daily depending on their role; adjustments above the set threshold go to the respective manager's "multi-level adjustment" queue for approval.

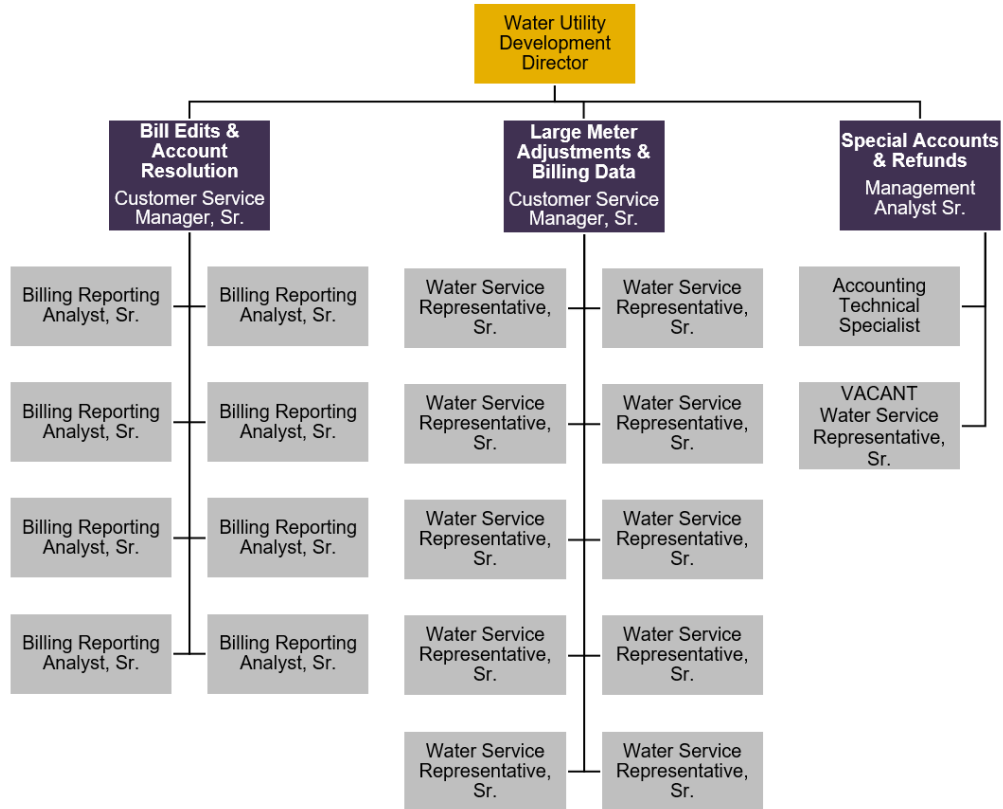
Three Teams Manage Billing Operations

Billing is managed by the Account Management group, overseen by one director, as shown in Exhibit 5. The teams are as follows:

- **Bill edits and account resolution**—manages bill edits and account resolution; staff review all unusual consumption activity to prepare monthly billing and resolve account issues such as back-billing and updating account information in enQuesta. This team is made up of a manager and seven senior billing reporting analysts. The team includes one staff vacancy.
- **Large meter adjustments and billing data**—manages all large meter adjustments, some small meter adjustments, senior citizen discount applications, and meter installation transmittals. This team is made up of a manager and three senior water service representatives. The team includes seven staff vacancies, although staff told us that four of these will be filled by the end of August 2023.

- **Special accounts and refunds**—one manager and one accounting technical specialist manage large institutional accounts and water account refunds. The team includes one staff vacancy.

Exhibit 5: Billing Operations Are Managed by Three Teams



Source: Developed by auditors based on organizational chart from Watershed Management staff and interviews as of August 2023

Accounts Must Be Paid By Due Date

City code requires the Commissioner of Watershed Management to develop policies and procedures for the collections and shutoff processes. Section 154-120 of city code states:

- bills must be paid by the due date on the bill
- customers must be sent a notice of service termination until the bill is paid
- customers are charged a late fee of five dollars or five percent of the total bill, whichever is higher
- accounts are terminated for water service no later than “30 days from the due date of the bill for monthly bills and 60 days for bi-monthly bills”

- accounts must be paid in full before service is restored unless the Commissioner of Watershed Management waives the charges, or an installment plan is established
- customers may be subject to a lien on the property after the failure to pay delinquent bills

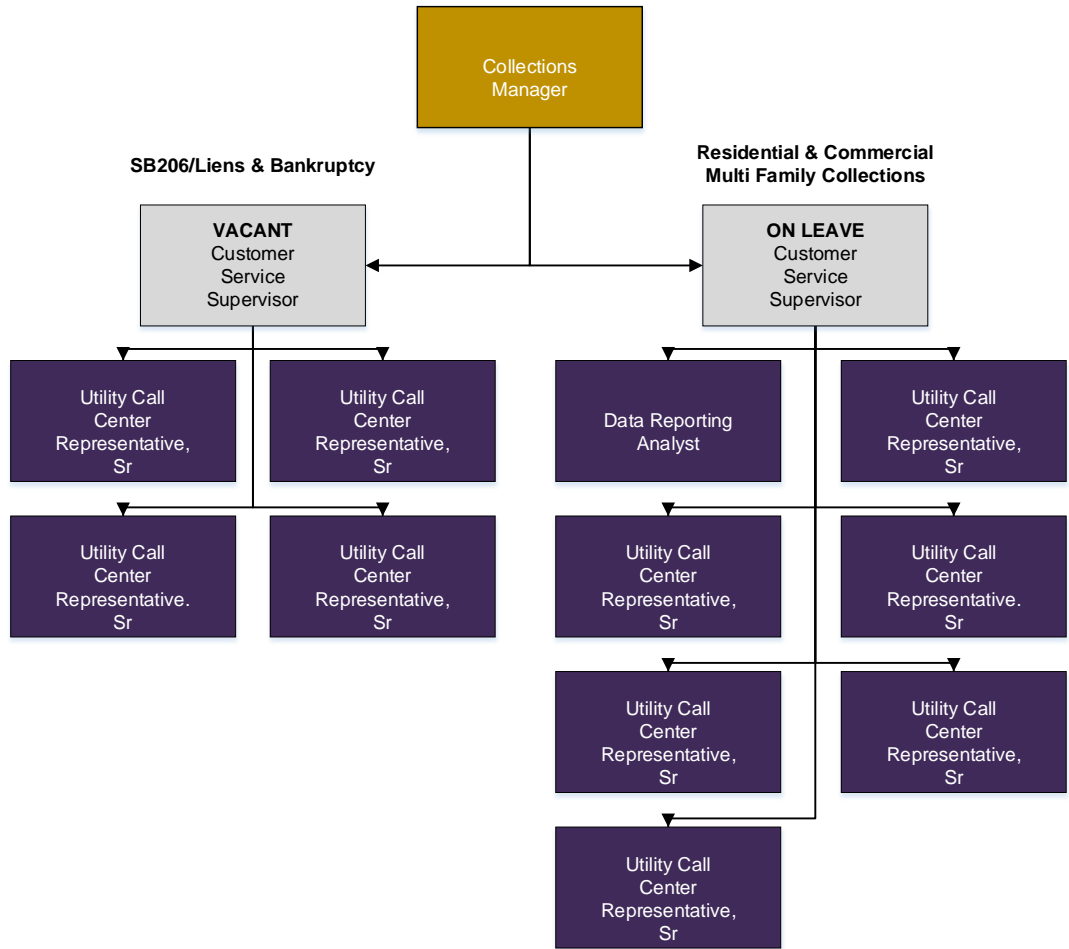
Bills sent to account holders state that the failure to pay outstanding balances by the bill due date could result in service termination for nonpayment; however, Watershed Management has not consistently enforced service termination on single family residential accounts since 2010. Staff told us that due to meter inaccuracies, estimated reads, and meter implementation issues, the department suspended single-family residential service terminations. In March 2020, the Mayor Keisha Lance Bottoms' administration issued administrative order 2020-03 to pause water shutoffs due to nonpayment to minimize the impact of COVID-19. The moratorium on water service terminations ended on May 31, 2021, via Administrative Order 2021-15.

Collection of Outstanding Balances is Managed by One Team

The Collections team is responsible for collecting outstanding water usage debts, establishing installment plans, and developing solutions to collect debts. The team is comprised of one manager who oversees two supervisors, and 11 staff—four who manage the payoff process for previous occupants' outstanding water bills, and seven collections representatives who place calls to customer with outstanding balances. Of the seven collections representatives, one staff member also referred to as the data analyst, conducts data analysis for the collections manager.

Accounts are flagged for collections after 30 days of nonpayment from the due date. The collections manager receives a monthly comprehensive accounts receivable report and reviews it with the collections data analyst, then divides the accounts into single-family residential, multi-family residential, and commercial. Collections staff are assigned customers from this report to contact regarding the delinquent balances. Collections staff call account owners to obtain payment and set up a payment plan for the customer if needed. Collections staff discontinue calling delinquent customers after delinquent balances reach 120-180 days, depending on the account. Collections staff are shown in Exhibit 6.

Exhibit 6: Collections Enforcement is Managed by Seven Staff



Source: Developed by auditors based on interviews and organizational chart from Watershed staff as of April 2023

Watershed Provides Bill Assistance to Customers

Watershed Management has among the highest water and sewer rates in the country. Water and sewer usage are measured in CCFs, or 100 cubic feet, and the department uses a tiered rate structure, in which the rate per CCF is higher as the usage increases, as shown in Exhibit 7. Rates also differ based on whether the customer is located inside or outside of the city.

Exhibit 7: Watershed Management Charges for Water and Sewer Usage by CCFs

Monthly Water Rates		
Usage Tier	Inside City Rate	Outside City Rate
Base Charge	\$6.56	\$6.56
>0-3 CCF	\$2.58 per CCF	\$3.51 per CCF
>3-6 CCF	\$5.34 per CCF	\$6.48 per CCF
>6 CCF	\$6.16 per CCF	\$7.47 per CCF
Wholesale**	\$3.70	

Monthly Sewer Rates	
Usage Tier	Rate
Base Charge	\$6.56
>0-3 CCF	\$9.74 per CCF
>3-6 CCF	\$13.64 per CCF
>6 CCF	\$15.69 per CCF

**Additional charges and fees as defined in any authorized intergovernmental wholesale water service agreement may apply

Source: Department of Watershed Management website

The department’s website states that an average household within the city uses eight to ten CCF per month, with the average monthly bill ranging from \$151 to \$194 a month. Black & Veatch, an engineering, procurement, and construction consulting firm, examined water and wastewater rates across the 50 largest U.S. cities. In 2021, the firm found that Atlanta’s typical residential water bill was not the highest and fell within the U.S. EPA’s (Environmental Protection Agency) water affordability target; however, the residential sewer bill exceeded the U.S. EPA’s sewer affordability target and was within the top five highest sewer bills among the 50 cities reviewed. Because of M.O.S.T. (Municipal Option Sales Tax) revenues, the department has not raised its water and sewer rates since 2012.

The department provides a senior citizen discount to Watershed Management customers 65 or older with annual income of \$25,000 or less. Qualifying citizens receive a 30% discount on both water and sewer charges. Watershed Management also manages the Care and Conserve program, which offers water bill payment assistance, plumbing repair assistance, and water conservation counseling to residential customers. The department’s website states that about 185 low-income households receive assistance from the program each year. The department administers the plumbing repair program through

grants to nonprofit organizations that use the funds to conduct repairs for eligible applicants. Eligibility is determined by income, delinquent balance, and property qualifications.

Watershed Management also provides an additional layer of assistance through the Low-Income Household Water Assistance Program, a federally funded program that helps eligible households with past due water balances or flat payments toward future bills. The program was developed in response to the COVID-19 pandemic, under the 2021 Consolidated Appropriations Act. The amount of assistance is determined by household size, income, and past due balance. For customers with a past due balance, the program pays the entire delinquent balance and provides \$200 to \$300 towards the current water bill, and customers without a past due balance will receive a \$200 or \$300 benefit toward their current water bill, depending on income. Payments go directly to the water supplier, and each household is eligible to receive assistance once per program year.

In 2023, in preparation for the resumption of single-family account shutoffs for non-payment, the department administered the FLOAT (Flexible Levels, Options, and Affordable Terms) assistance program from July to December 2023. The program aimed to offer single-family residential customers with past due accounts an incentive to settle the outstanding charges and avoid collections or shutoff, leverage federal and state funding programs to benefit customers in response to the COVID-19 pandemic, and reduce Watershed Management's delinquent receivables. It was designed to incentivize customers that may have billing service issues to resolve issues on their accounts. Customers worked with department staff at several locations across all city quadrants or by phone. Staff provided adjustments and set up payment plans for customers, with the incentive of adjustments after fulfilling the terms of the payment plan.

The department used adjustments to reduce its delinquent receivables by an estimated \$12 million through the FLOAT program. Single-family residential customers with outstanding charges of \$300 or more were eligible to receive adjustments through the program. Watershed Management granted adjustments to 2,136 customers using three types of adjustments:

- Aging adjustments—removed charges incurred seven or more years ago
- Leak and meter repair adjustments—removed charges for leaks for customers who made repairs to leaks or meters
- Fee adjustments—removed charges for fees such as late fees, and reconnection fees

Under FLOAT, 1,825 accounts received aging adjustments, 999 received adjustments for leak and meter repairs, and 944 received fee adjustments. These adjustments reduced the department’s delinquent receivables by about \$12.2 million. For eligible customers, collections staff reviewed account data and adjusted delinquent balances to remove amounts incurred before December 2016, deemed uncollectible. Exhibit 8 shows almost a quarter of aging accounts were over \$5,000.

Exhibit 8: Almost a Quarter of Aging Adjustments for Uncollectible Debt Were Over \$5,000

Amount of Aging Adjustment	Percentage
Up to \$1000	32%
Up to \$2,000	19%
Up to \$3,000	11%
Up to \$4,000	8%
Up to \$5,000	5%
Over \$5,000	24%
Total	100%

Source: Developed by auditor based on FLOAT data provided by collections staff

If an eligible customer could provide evidence that they had repairs made to a leak or meter, collections staff reviewed the account for a decrease in water usage and granted leak and meter repair adjustments, shown in Exhibit 9.

Exhibit 9: 18% of Leak/Meter Repair Adjustments Were Over \$5,000

Amount of Leak/Meter Repair Adjustment	Percentage
Up to \$1000	35%
Up to \$2,000	21%
Up to \$3,000	12%
Up to \$4,000	8%
Up to \$5,000	5%
Over \$5,000	18%
Total	100%

Source: Developed by auditor based on FLOAT data provided by collections staff

The fee adjustments were smaller than the other adjustment types. Most were no more than \$50, but the largest fee adjustment was over \$4,000.

We reviewed the available standard operating procedures for the FLOAT program, which were in draft form and last updated September 2022, two months after the program began. The drafted procedures state that adjustments under the FLOAT program must comply with City code Section 154-28 addressing adjustments for water and sewer bills. In November 2022, City Council approved Ordinance No. 22-O-1779 expanding the department's ability to adjust accounts beyond what is allowable in city code, in response to the initial success of the program and the need for more flexibility to better serve the customers. The ordinance allowed the department commissioner or their designee to adjust customer accounts for any period of time or any amount in accordance with established operating procedures in order to resolve disputes about a delinquent account, outstanding balance, or other issue; current code limits leak adjustments to one adjustment of no more than two billing periods within a rolling 12-month period.

Aging infrastructure and regulatory requirements affect water and sewer service rates. The AWWA (American Water Works Association) has examined affordability elasticity in water rates for customers in water utilities across the country. Cost of service and income distribution are factors in affordable water bills. AWWA defined affordability elasticity as the change in water bills which results in a 1% increase in the number of households with unaffordable water rates. Watershed Management's assistance programs serve to keep bills affordable for low-income customers.

Audit Objectives

This report addresses the following objectives:

- Is the Department of Watershed Management following standard practices for water billing and collecting?
 - Is the Department of Watershed Management meeting AWWA standards for billing estimation?
 - Is the Department of Watershed Management following department and city policies regarding adjustments?
- Is the Department of Watershed Management conducting legislative and administrative write-offs as required by city code?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We reviewed department standard operating procedures, billing and collections data since 2010, and billing estimates and adjustments data primarily between July 2020 and June 2023.

Our audit methods included:

- reviewing the department's standard operating procedures to determine guidance on billing and collections processes
- researching industry best practices for collections to compare to the department's methods
- analyzing delinquent account data to determine the population of accounts eligible for collection or water service termination
- observing billing and collections staff to understand the duties and responsibilities of each team
- analyzing estimated billings data to identify how often the department estimates bills
- reviewing the department's financial statements and bad debt expense to determine the department's historical financial position
- analyzing adjustment data to determine how often the department makes adjustments and assess compliance with city code
- interviewing billing and collections staff to understand policies, procedures, and practices
- analyzing FLOAT program data to identify the financial impact on the department's accounts receivable balance
- researching state law and city code ordinances regarding water billing and collections

Generally accepted government auditing 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.

Findings and Analysis

Lack of Enforcement Results in Revenue Loss and Customer Inequity

As of June 2023, Watershed Management's delinquent account balance for active accounts reached \$137 million, and delayed collection efforts have decreased the likelihood that the debt will be collected. This increases the amount the department will need to write off. The Department of Watershed Management has inconsistently terminated water service for nonpayment since 2010. Staff told us that a previous mayoral administration implemented an unwritten, informal policy to stop water shutoffs for nonpayment. Also, in 2020, in response to the COVID-19 pandemic, the Bottoms administration issued several administrative orders officially suspending water service termination for nonpayment through May 2021.

We found that the department only shut off water service for nonpayment for fewer than 800 customers between 2010 and 2022. Collections enforcement ensures that the department collects revenue sufficient to maintain its infrastructure and to pay its debts so that it does not need to increase water rates. In addition to revenue loss, lack of enforcement creates inequity among customers. Watershed Management staff told us the department has resumed shutoffs this year, although we found that only 292 accounts have been shut off as of July 2023. The department's delinquency policy is not posted publicly, and may be unclear to customers, impeding enforcement.

We identified 21,036 inactive delinquent accounts, over one year old, with balances totaling \$64.6 million as of September 11, 2023. These accounts would likely meet the parameters for write off; however, the city has not written off debt since 2019. After six years, the department's legal options to collect are limited. Watershed Management is responsible for writing off the debt to accurately reflect the department's financial position. We recommend the commissioner of Watershed Management design and implement a more effective collection strategy and write off uncollectible debt in accordance with law and policy.

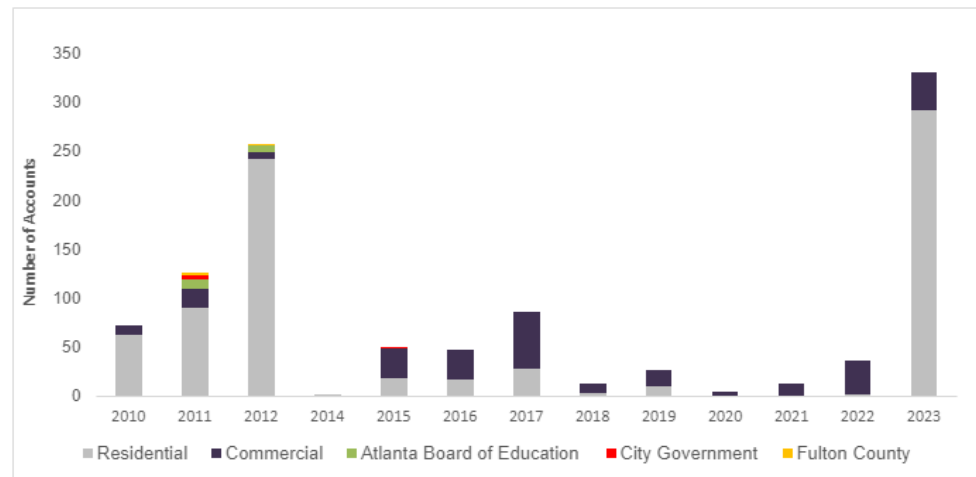
Department Discontinued Routine Shutoffs

Watershed Management has not regularly conducted water shutoffs for nonpayment since 2010. The department terminated service for fewer than 800 accounts in twelve years and has yet to resume full-scale shutoffs. Additionally, the department's delinquency policy is not

public and may be unclear to customers. To improve enforcement of water bill payment, we recommend the commissioner of Watershed Management enforce water service termination due to nonpayment in compliance with the department’s delinquency policy and publish a delinquency policy that includes the timeframe for termination.

Watershed Management inconsistently enforced water service termination due to nonpayment for twelve years. We found that the department shut off a total of 737 accounts between 2010 and 2022, as shown in Exhibit 10. Department staff told us a previous administration issued an informal policy to stop discontinuing water service for nonpayment; we were unable to find documentation of this decision, although staff told us this decision contributed to a culture of nonpayment among the city’s water and sewer customers.

Exhibit 10: Most Shutoffs Were Residential



Source: Developed by auditor based on shutoff data report provided by Watershed staff

We also found that in March 2020, Mayor Keisha Lance Bottoms issued Administrative Order 2020-03, directing Watershed Management to refrain from terminating water service due to non-payment, in response to the COVID-19 pandemic. The moratorium was extended through May 2021; however, the department did not immediately resume service termination for nonpayment until February 2023 as they implemented the FLOAT program and reviewed accounts for accuracy before shut-off.

Watershed Management staff told us that the department has resumed single family shutoffs this year, although we found that only 292 residential accounts have been shut off as of July 2023. Best practices recognize that shortening the timeline for the termination of services prevents customers from accruing unpayable high bills. A lack of enforcement through water shutoffs contributes to inequity among

customers. We recommend the commissioner of Watershed Management enforce water service termination due to nonpayment.

The department's delinquency policy is not apparent. We found no evidence of the department's delinquency policy posted to the Watershed Management website. Staff told us that the delinquency policy is stated on the back of the bills customers receive; however, we found that bills only state that the failure to pay will result in termination of service and the classification of delinquent charges as liens on a property. We also found that past due bills sent to customers indicate that the account is past due, provide a final disconnection notice, and specify charges due to prevent disruption of service, but do not detail or direct customers to a delinquency policy.

Best practices suggest publishing the delinquency policy and consistently enforcing the policy to minimize political pressure and prevent accusations of biased treatment. Examples of delinquency policies include a timing schedule for when bills and notices are due and sent, a policy statement, procedures for collections enforcement on delinquent accounts, an explanation of the water service termination process, and how accounts can restore service after discontinuation of service.

The department's standard operating procedures state that collection efforts on delinquent accounts include account research, notifications, final demands, and installment plans. The procedures divide delinquent account collection efforts by account type—residential, commercial, and government; however, the procedures do not explicitly state when accounts are considered delinquent or detail a timeline of actions after that designation. We recommend the commissioner of Watershed Management develop and publish on the department's website a delinquency policy that includes the timeframe for termination as well as any fees, and necessary actions taken by the department and customer.

Balance of Active Delinquent Accounts Reached \$137 Million in June 2023

As of June 2023, the total delinquent account balance for water and sewer customer accounts over 30 days old and up to four years old totaled about \$197.8 million, which includes \$137 million for active accounts, \$60 million for inactive accounts, and over \$723,000 for accounts we combined as "other" status. The "other" status represents five additional account types: Write Off, Pending, Vacant - Shut Off, Collection, and Never Active Interim, totaling 1,340 accounts. Write Off accounts are accounts that have been written off. Pending could

indicate either an account pending write off, or new service. Collection means the account is in collections, and department staff was unable to tell us what Never Active Interim means.

Delinquent accounts up to 90 days old are considered to be 95% collectible. The department calculates the amount of receivables it does not expect to collect each fiscal year; in fiscal year 2022, the bad debt expense was about \$15.7 million. The likelihood of collecting on delinquent accounts reduces from 95% to 5% after 90 days; however, the Department of Watershed Management collections team does not focus its efforts on accounts with delinquent balances under \$500. If the average bill is between \$151 to \$194 a month, then it is critical to reduce the timeline to enforce collections to less than 90 days to increase the likelihood of receiving payment. We recommend the commissioner of Watershed Management design and implement a collection strategy that includes policies and procedures for timely collections, termination of service, and write-offs.

Watershed Management had over 54,000 delinquent accounts in active, inactive, and “other” statuses in June 2023. Based on the department’s accounts receivables data dated June 30, 2023, delinquent customer accounts at least 30 days old totaled about \$197.8 million. Exhibit 11 shows the breakdown of delinquent accounts by status. About 69.3% (35,731 of 54,051) of delinquent accounts were active status.

Exhibit 11: Majority Delinquent Accounts Were Active Status as of June 2023

Delinquent Accounts > 30 Days Arrears	# Accounts	Amount in Arrears
Active	35,731	\$137,052,991
Inactive	16,980	\$60,046,903
*Other	1,340	\$723,857
<i>Write-off</i>	254	\$130,484
<i>Pending</i>	21	\$83,634
<i>Vacant – Shut Off</i>	837	\$165,086
<i>Final</i>	190	\$300,370
<i>Collection</i>	1	\$2,271
<i>Never Active Interim</i>	37	\$42,012
Total	54,051	\$197,823,751

***Note:** “Other” status comprises write-off, pending, vacant-shut off, final, collection, and never active interim

Source: Developed by auditor based on accounts receivables data report provided by Watershed staff

Many of the accounts in arrears have entered into payment plans, so the department may collect these amounts. About 58% (31,639 of 54,051) of delinquent customer accounts had a balance of \$500 or less, totaling \$3.8 million; the limited number of collections staff may affect the department's ability to reach all these customers. In comparison, just 11% (5,865 of 54,051) of delinquent customer accounts accounted for about 80% of the arrears balance totaling \$158.3 million.

Not all delinquent accounts are collectible. Watershed Management's bad debt allowance considers delinquent accounts 5% uncollectible up to 90 days old. Between 90 days to 365 days, bad debt allowance increases to 95% uncollectible. Delinquent accounts older than one year are 100% uncollectible. Department staff told us that there are issues that affect whether the amounts are collectible. For example, some customers have submitted disputes due to billing errors on the city's side or some customers may receive adjustments for completed leak repairs. For delinquent inactive accounts, the department can only place a lien against the property if the property owner incurred the debt. The legal actions the department can take to collect debt decrease after six years.

Watershed Management's delinquent collection threshold of \$500 does not align with its collectability tier. Watershed Management staff told us that the department does not make a considerable effort to collect delinquent balances of \$500 or less, because collection efforts are not a cost-effective use of city funds. The median balance amount was about \$266 for delinquent customer accounts as of June 2023.

Waiting until the delinquent balance is \$500 or more means that collections staff are focusing on amounts that may only be collectible at a rate of 5% or less. Also, refraining from terminating service on delinquent accounts makes the bill even less manageable for the customer as the past due amount continues to increase.

As of September 11, 2023, the department had over 91,000 customer accounts with balances delinquent between 30 days and one year, totaling \$64.8 million. Based on the reduced collectability of delinquent accounts, the department may only be able to collect about \$17.6 million from these accounts.

Untimely Collection Efforts Lead to Increased Write-Offs

Watershed Management is expected to write off uncollectible debt when all other efforts to collect on delinquent accounts have been exhausted. The department has write-off procedures, but current practice does not reflect written procedure. We found that there are

accounts eligible for write-off, but the department has not completed a legislative write-off since November 2019.

Watershed Management is preparing to reduce its uncollectible debt through write-offs this year. City Ordinance No. 90-O-1324 states that the chief financial officer can administratively write off debt once Watershed Management has demonstrated that all efforts to collect on the debt have been exhausted and if the account's balance does not exceed \$10,000. Accounts with debts greater than \$10,000 must meet the same criteria but must be approved for write off by City Council. Staff told us the department plans to administratively write-off \$9,865,166, representing 9,630 accounts and request legislative write-off of \$31,866,975 representing 1,216 accounts as of May 2023. These write-off amounts include accounts with balances one year or older.

If Watershed Management determines that the debt is uncollectible, the department is responsible for writing off the debt to reduce the accounts receivables, which represent the amounts due to the department. If write-offs are not conducted regularly, the accounts receivables balance may not accurately reflect the department's financial position. We recommend the commissioner of Watershed Management write off uncollectible debt in accordance with law and policy.

Process Improvements are Needed to Support Enforcement

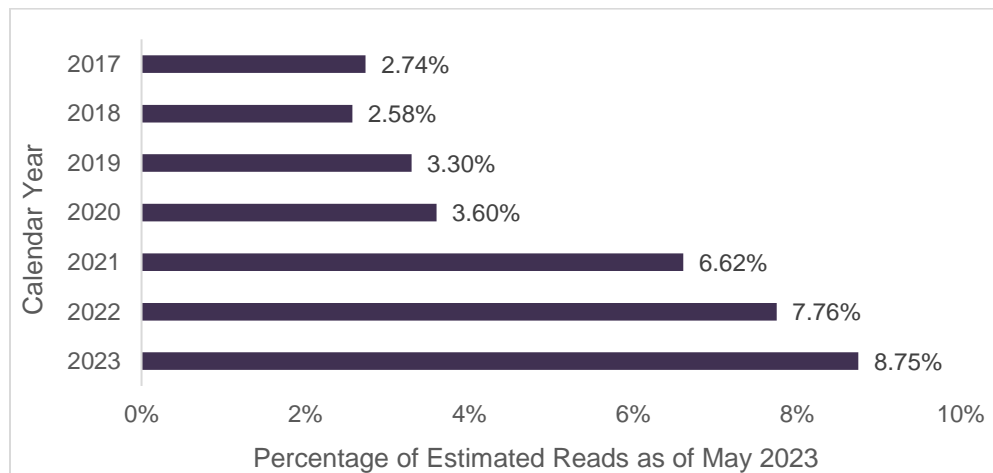
When an account does not receive a read or the reads are abnormal and cannot be resolved prior to billing, the customer's usage will be estimated by the enQuesta system or billing staff. Our review found that Watershed Management's monthly bill estimation rate is higher than the AWWA benchmarking study rate and has more than doubled since 2020. The increase in estimated reads may be due to insufficient field staff to investigate meter malfunctions in a timely manner and a backlog of unresolved meter investigation and repair work orders stemming from the COVID-19 pandemic. We recommend the department acquire the resources needed to resolve equipment failures and clear any backlogs that are contributing to the large number of estimated reads. Resolving equipment problems would provide the department with a basis for carrying out enforcement activity. Additionally, the department needs additional oversight of A-bill adjustments, which do not require supervisory approval or review. We recommend the department implement an adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts.

Billing Estimation is Significantly Higher Than Industry Standards

If an accurate meter read cannot be obtained for an account, the customer's usage will be estimated. The rate at which Watershed Management estimates usage for billing has increased since 2020 and is much higher than the AWWA benchmarking survey rate.

Customer monthly bill estimation has doubled from calendar year 2020. The AWWA benchmarking survey for fiscal year 2020 shows that servicers estimated bills at a median rate of 0.1%; in comparison, Watershed Management's median estimated bill was 3.6% in 2020. The department's monthly bill estimation rate increased to a median of approximately 3.6% 7.76% of bills as of December 2022. In May 2023, the department billed 170,798 accounts; 15,047 of those accounts (8.81%) received estimated bills. Exhibit 12 illustrates Watershed Management's median monthly bill estimation percentage per year. We found that the percentage of monthly estimated bills was at its lowest in October 2018, at 2.23%.

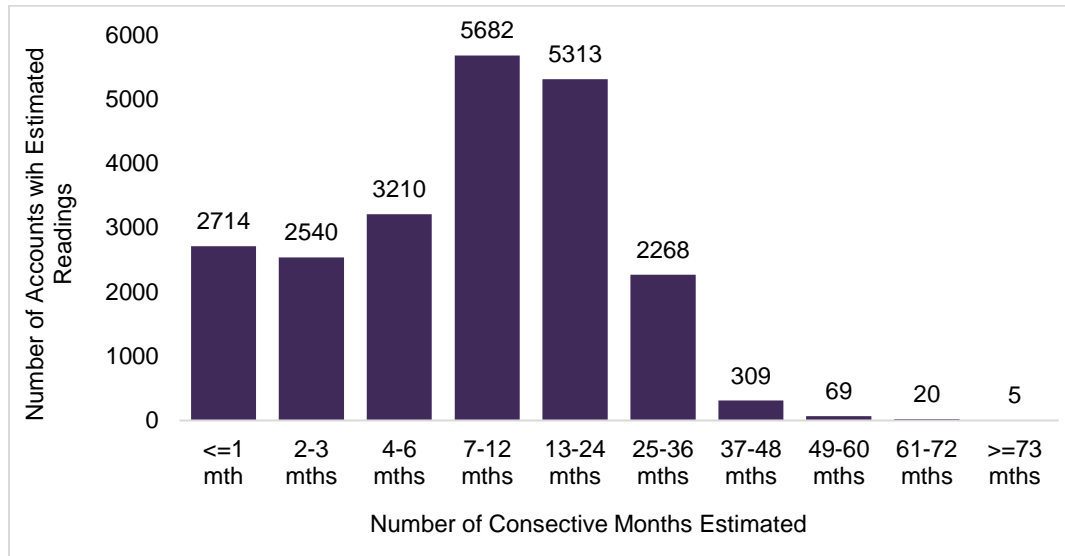
Exhibit 12: Median Bill Estimation Increased Significantly since 2020



Source: Developed by auditors based on estimated bill report provided by Watershed staff

Staff told us that some customer bills are estimated for several months consecutively due to field operation inspectors' inability to investigate meters in a timely manner after meter reads transmit and before bills are finalized. From July 2006 to April 2023, of 22,130 accounts with estimated reads, about 49.7% have been consecutively estimated between seven and 24 months. Exhibit 13 shows the number of accounts with consecutive estimated reads from July 2006 to April 2023.

Exhibit 13: Many Accounts Had Consecutive Estimated Reads



Source: Developed by auditors based on enQuesta report provided by Watershed staff

Aging infrastructure leads to increased estimations. The increase in estimated reads may be due to insufficient field staff to investigate meter malfunctions in a timely manner and a backlog of unresolved meter investigation and repair work orders stemming from the COVID-19 pandemic. If instances of usage are not investigated timely, consistent enforcement becomes difficult to carry out, and leaks may go undetected for long periods of time, which can lead to water loss, higher bills for customers, and increased bill adjustments. We recommend the commissioner of Watershed Management hire adequate staff to maintain or replace infrastructure and consider using a contractor to handle the backlog of escalated requests.

Customer Account Adjustments Need Additional Oversight

City code allows Watershed Management staff to adjust customer bills for billing errors, fees, customer property leaks, and meter leaks, but requires customer property leak adjustments over \$5,000 for the water portion to be approved by City Council. Adjustments in amounts less than \$5,000 do not require supervisory review or approval. Quick adjustments have daily amount restrictions for each user, but A-bills are not restricted, and department procedures do not require supervisor approval or periodic review of adjustments. To ensure adjustments are allowable, we recommend the commissioner of Watershed Management implement an adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts and restricts access to create A-bill adjustments to the billing and CAST teams.

Staff generally complied with requirements for the frequency of leak adjustments. According to city code, leak adjustments are limited to one adjustment of up to two billing periods within a rolling 12-month period. We reviewed a random sample of 50 accounts that received leak adjustments between July 2020 and June 2023 to determine whether the accounts were granted more than one leak adjustment of 2 billing periods within a 12-month period. Of the 50 accounts, only 1 received two leak adjustments within a 12-month period; the customer was granted one adjustment of their June and July 2021 bills and would therefore not be eligible for another leak adjustment until July 2022, but they were granted another leak adjustment of their May 2022 bill.

A-bill adjustments less than \$5,000 have little oversight. City code states that the Commissioner may issue adjustments for billing errors, fees, and meter leaks regardless of amount, but leak credits exceeding \$5,000 for the water portion of the bill must be approved by City Council. CAST staff told us they use A-bills to enter adjustments, and that enQuesta does not limit the dollar amounts of adjustments that CAST staff can enter. Additionally, CAST management told us there is no regular review of adjustments, and A-bills are not reviewed or approved by another staff member, aside from City Council approval for adjustments over \$5,000. Large meter adjustment requests are processed by one employee on the billing team who has sole discretion in approving or denying requests, and these adjustments are not reviewed by a supervisor. All billing staff have system access to enter both A-bills and quick adjustments.

Billing management told us that managers receive a daily report of all A-bills and quick adjustments made by their teams, and said they review these reports periodically. enQuesta users have daily limits on the amount they can adjust using quick adjustments, based on their role. Department staff said if an employee enters quick adjustments for amounts greater than their daily limit, it rolls up to their manager's queue for review and approval. However, A-bills do not go through the same review. While supervisors can review the daily report of adjustments made by their staff, they are not required to review A-bills, and the department does not have an established frequency with which to review A-bills or document approval. We recommend the commissioner of Watershed Management implement an adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts.

Between July 2020 and June 2023, 47 different employees across nine divisions of Watershed Management entered A-bills. Of the A-bill reversals and replacements entered during this period, 56% were entered by Watershed Management billing employees, and 39% were

entered by CAST employees. The other 5% were entered by seven other Watershed Management divisions, including one division that stated they do not handle adjustments. Users and divisions that do not need to enter A-bills as part of their established duties should not have system permissions to do so. To prevent unallowable A-bill adjustments, we recommend the commissioner of Watershed Management restrict access to create A-bill adjustments to the billing and CAST teams.

Clearer Policies and Procedures Would Improve Consistency

Watershed Management has standard operating procedures for various billing and collections activities. We reviewed the billing and collections procedures and found that several documents are in draft form or undated, and others do not reflect current practice.

Some billing and collections standard operating procedures are outdated or do not indicate creation dates. We found that billing and collection standard operating procedures lack dates of creation and last update. Billing staff provided updated procedures for adjustments, refunds, and the new on-demand billing process through enQuesta. However, three of the procedures for bill editing processes had no implementation or approval dates, and the refunds procedures are in draft form. The department's collections procedures reference the use of a collection agency, although Watershed Management leadership told us that the department does not use a collection agency anymore. Some collections procedures are dated for 2015 and staff appear unaware of assigned duties. Additionally, some processes, such as the write-off process, do not appear to align with current practices and staff told us that some procedures have not been updated in 10 to 15 years.

Best practices state that policies and procedures should be updated every one to three years to prevent inconsistent practices. The department does not have designated staff to develop or update standard operating procedures. We recommend the commissioner of Watershed Management develop, document, and maintain up to date policies and standard operating procedures for billing and collection tasks and processes.

Recommendations

In order to improve collections enforcement, the Commissioner of the Department of Watershed Management should:

1. develop and publish on the department's website a delinquency policy that includes the timeframe for termination as well as any fees, and necessary actions taken by the department and customer.
2. enforce water service termination due to nonpayment in compliance with the department's delinquency policy and publish a delinquency policy that includes the timeframe for termination.
3. design and implement a collection strategy that includes policies and procedures for collections, termination of service, and write-offs.
4. write off uncollectible debt in accordance with law and policy.
5. hire enough staff to maintain or replace infrastructure and consider using a contractor to handle the backlog of escalated requests.
6. implement an A-bill adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts and restrict access to create A-bill adjustments to the billing and CAST teams.
7. develop, document, and maintain up to date policies and standard operating procedures for billing and collection tasks and processes.

Appendices

Appendix A: Management Review and Response to Audit Recommendations

Report # 23.08	Report Title: Water Billing and Collections	Date: November 2023
Recommendation 1:		
We recommend that the Commissioner of the Department of Watershed Management develop and publish on the department's website a delinquency policy that includes the timeframe for termination as well as any fees, and necessary actions taken by the department and customer.	Risk Category: Revenue Collection & Cost Recovery	Response: Agree
Related Findings:		
1. The department's delinquency policy is not posted to the Watershed Management website. Bills only state that failure to pay will result in termination of service and the classification of delinquent charges as liens on a property, but do not detail or direct customers to a delinquency policy.		
Proposed Action: The department will publish the delinquency policy on its website.		Current Status: Started
Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas		Estimated Implementation Date (M/Y): December 2023
Additional Comments: The department currently includes the delinquency policy on every bill but will also include the policy on the website going forward.		

<p>Recommendation 2:</p> <p>We recommend that the Commissioner of the Department of Watershed Management enforce water service termination due to nonpayment in compliance with the department's delinquency policy.</p>	<p>Risk Category:</p> <p>Revenue Collection & Cost Recovery</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. The department has not regularly conducted water shutoffs for nonpayment since 2010. The department only shut off service for 737 accounts between 2010 and 2022. The department resumed shutoffs in 2023 but only shut off 292 residential accounts as of July 2023.</p>		
<p>Proposed Action:</p> <p>The department has resumed prioritized discontinuation of service due to customer nonpayment and will continue this activity moving forward.</p>		<p>Current Status:</p> <p>Implemented</p>
<p>Business Owner:</p> <p>Jonathan Williams, Hugh Smith, and Sterling Thomas</p>		<p>Estimated Implementation Date (M/Y):</p> <p>February 2023</p>
<p>Additional Comments: The initial decision to suspend shutoffs was made in 2010, and this current administration had made the decision to resume service terminations for nonpayment in 2022 prior to the initiation of this audit. The department resumed commercial service terminations in spring 2022 and resumed residential service terminations in February 2023 and has scheduled 1,967 single family cut-offs through November 1, 2023. Of the 1,967 scheduled terminations:</p> <ul style="list-style-type: none"> • 1,011 accounts were brought current. In addition: <ul style="list-style-type: none"> • 578 customers entered into payment plans. • 26 accounts received an adjustment based on customer corrective actions taken on behalf and/or billing corrections, • 24 accounts are in dispute and are proceeding through the established dispute process • 138 accounts were updated to reflect the correct customer information that will support future billing and collections. <p>In summary, resuming service terminations resulted in an impact of 90.3% improvement in collectability for accounts with only 9.7% of accounts remaining closed without resolution. The goal of the Department is to maximize collections, not maximize service terminations. The performance statistics since February 2023 support this approach.</p>		

Recommendation 3: We recommend that the Commissioner of the Department of Watershed Management design and implement a timely collection strategy that includes policies and procedures for collections, termination of service, and write offs.	Risk Category: Revenue Collection & Cost Recovery	Response: Partially Agree
Related Findings: 1. The likelihood of collecting on delinquent accounts reduces from 95% to 5% after 90 days; however, the Department of Watershed Management collections team does not focus its efforts on accounts with delinquent balances under \$500. If the average bill is between \$151 to \$194 a month, then it is critical to reduce the timeline to enforce collections to less than 90 days to increase the likelihood of receiving payment.		
Proposed Action: The department will update and distribute policies and procedures governing this activity.		Current Status: Started
Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas		Estimated Implementation Date (M/Y): June 2024
Additional Comments: Due to the length of time since the Department has executed service terminations, we have started our review process on the 27,000+ accounts with those that are highest dollar amount in arrears and the oldest aged. We've delineated accounts by amount due to help prioritize our actions. This does not mean that lower dollar accounts will not be subject to collections, only that the largest and oldest accounts will be addressed first as there may be technical issues that have contributed to the balance.		

Recommendation 4: We recommend that the Commissioner of the Department of Watershed Management write off uncollectible debt in accordance with law and policy.	Risk Category: Legal/Regulatory Compliance	Response: Agree
Related Findings: 1. The department has write-off procedures, but current practice does not reflect written procedure. There are accounts eligible for write-off, but the department has not completed a legislative write-off since November 2019.		
Proposed Action: The department has drafted and is implementing write-off cadence guidelines with renewed focus on these accounts. The first review is expected in first quarter 2024, and we will resume both legislative and administrative write-offs before 12/15/23. We intend to continue to do so quarterly moving forward.		Current Status: Started
Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas		Estimated Implementation Date (M/Y): January 2024

Additional Comments: Historically, the department has initiated administrative and legislative write-offs with the last write-offs having been approved shortly before the pandemic. We will continue this effort with the proposed action going forward.

<p>Recommendation 5: We recommend that the Commissioner of the Department of Watershed Management hire enough staff to maintain or replace infrastructure and consider using a contractor to handle the backlog of escalated requests.</p>	<p>Risk Category: Process Improvement</p>	<p>Response: Partially Agree</p>
<p>Related Findings:</p> <ol style="list-style-type: none"> 1. Since 2020, the number of estimated bills has increased from a median of approximately 3.6% of bills to 8.75% as of May 2023. As of April 2023, of 22,130 accounts with estimated reads, 49.7% have been consecutively estimated between seven and 24 months. The increase in estimated reads may be due to insufficient field staff to investigate meter malfunctions in a timely manner. 		
<p>Proposed Action: The department is in the process of both hiring additional staff to support operational needs and pursuing long-term infrastructure and technology solutions to address these challenges.</p>		<p>Current Status: Started</p>
<p>Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas</p>		<p>Estimated Implementation Date (M/Y): December 2029</p>
<p>Additional Comments: The department partially agrees with the finding; however, we believe the solution to these issues is in updated infrastructure rather than additional headcount or contracted labor. The department is piloting a project to identify and replace faulty meters with accurate, new technology that will provide enhanced field monitoring and reporting capability and allow for early detection of damaged or broken equipment. In the short term, the selective implementation of new technology will focus on the oldest meter infrastructure and those that currently have multiple estimates and other performance issues and expand to the rest of the City over time. At the same time, the department is pursuing additional staffing to support the implementation and customer support requirements of the technology update.</p>		

Recommendation 6: We recommend that the Commissioner of the Department of Watershed Management implement an A-bill adjustment policy and procedure that includes thresholds for supervisory review of adjustment amounts and restrict access to create A-bill adjustments to the billing and CAST teams.	Risk Category: Safeguard Assets	Response: Agree
Related Findings: 1. Supervisors are not required to review A-bills, and there is no established frequency with which to review A-bills or document approval. Between July 2020 and June 2023, 47 different employees across nine divisions of Watershed Management entered A-bills. 56% of A-bills during this period were entered by billing employees, and 39% were entered by CAST employees, but 5% were entered by seven other Watershed Management divisions.		
Proposed Action: The department will update and distribute policies and procedures governing this activity.		Current Status: Started
Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas		Estimated Implementation Date (M/Y): June 2024
Additional Comments: Implementation is dependent on the coordination with our enQuesta and Oracle technology partners to provide the capacity we are seeking. While the system capacity exists, the department is seeking to evaluate the required time for implementation.		

Recommendation 7: We recommend that the Commissioner of the Department of Watershed Management develop, document, and maintain up to date policies and standard operating procedures for billing and collection tasks and processes.	Risk Category: Process Improvement	Response: Agree
Related Findings: 1. Some billing and collection standard operating procedures lack dates of creation and last update. Some collections procedures do not reflect current practice.		
Proposed Action: The department will update and distribute policies and procedures governing this activity.		Current Status: Started
Business Owner: Jonathan Williams, Hugh Smith, and Sterling Thomas		Estimated Implementation Date (M/Y): June 2024
Additional Comments:		