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To: The Honorable John McLeod, President of the Council
The Honorable Jay Musleh, President Pro Tem
The Honorable James Hilty
The Honorable Brent Malever
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
John Zabler, Interim City Manager

Date: December 2, 2014

Re: External Audit Assistance – Utility Billing

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year Ending September 30, 2014. We have completed procedures for Utility Billing. The objective of our procedures was to determine if utility customers were appropriately charged for applicable services. The City provides electric, water, sewer, connections, storm water, fire, and solid waste services to residents and businesses within the city limits, as well as electric, water, and/or sewer to properties outside the city limits that are within the City's service delivery territory. Fiber optic services are also provided on a limited basis which also is billed through the City's Utility Billing System. Utility Services billed approximately \$209.1 million during the fiscal year.

On October 1, 2013, Utility Services completed its utility billing and customer service management system software conversion to Cogsdale. A significant portion of our testing was performed during the first 3 months of the conversion.

We selected 46 utility bills for testing the controls over the billing process. We reviewed the City's Code of Ordinances and related resolutions to determine the applicable rates and fees for each type of service available based upon the property's location. We recalculated charges based upon the authorized rates and fees in effect at the time of service. Based upon our procedures, we conclude that customers were appropriately billed for services provided.

We appreciate the assistance provided by Utility Services personnel, especially Barbara Carnival, Business Application Analyst, Electric/Resource Management and Mike Parker, Utility Accounting Analyst, Customer Service.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Handwritten signature of S. KaRhonda Leslie in blue ink.

S. KaRhonda Leslie, Assistant Internal Auditor

Handwritten signature of Jeanne Covington in blue ink.

Jeanne Covington, Internal City Auditor

c: Larry Novak, Assistant City Manager, Utility Services
Terry Austin, Director, Utility Services, Customer Service
Gary Wilson, Manager, Strategic Initiatives