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To: The Honorable John McLeod, President of the Council
The Honorable Jay Musleh, President Pro Tem
The Honorable James P. Hilty, Sr.
The Honorable Brent Malever
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: January 7, 2014

Re: Cogsdale Utility Billing System

Since June 2012, Internal Audit has been working closely with Utility Accounting, Customer Service Office, Finance, and Information Technology personnel on the implementation of the Cogsdale Utility Billing System. The system went live October 1, 2013.

As part of the external audit assistance, we test utility bills each year. We have completed testing for the first quarter of Fiscal Year 2014 to determine if utility customers were appropriately charged for services that the City provides including electric, water, sewer, storm water, solid waste and fire 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, as well as assuring that Cogsdale is calculating the bills correctly. Based upon the 44 locations tested for the quarter, we conclude that customers were appropriately billed for services provided at the applicable rates and fees for each type of service based upon the property's location.

We also validated that all of the rates in Cogsdale agree to the ordinances, resolutions, and utility tariff that have been approved by City Council. For services that are not defined by an ordinance, resolution or the tariff, we assured that the negotiated rates were carried over appropriately from the PeopleSoft CIS system.

As part of the year-end financial procedures, Finance accrues revenues for the services provided through September 30 that are not billed until October. This accrual is based upon a report generated from the utility billing system which pro-rates October billings for services provided through September 30. We tested the report generated from Cogsdale and conclude that the accrual posted by Finance reasonably estimates the unbilled revenues through September 30, 2013.

Mary Ann Davis, Finance Director, has taken the lead for analyzing and confirming the posting of revenues, receivables, and payables to the City's financial system/general ledger generated through Cogsdale. She periodically reviews her analysis with us. She has identified some transactions that are not importing correctly. She is working with Cogsdale to resolve these issues. We will continue to review her analysis and work with her and the implementation team to assure that all revenues, receivables, and payables are properly reported in the financial records for Fiscal Year 2014.

The implementation team continues to work closely with Cogsdale to address open issues, most importantly the bill template and presentation of specific information on billing statements. For the bill

template issues that we have reviewed, the charge for services has been calculated correctly and the information within the system supports those calculations.

We have not tested cash collections that have been processed through Cogsdale. Finance is awaiting the receipt of the cash reports from the Customer Service Office on a daily basis that will allow them to complete a timely reconciliation to the general ledger. We will review the daily reports for Cogsdale collections, reconciliations to the general ledger, and the bank statement reconciliations during our review of cash internal controls which has been added to the FY 2014 audit plan.

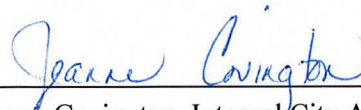
We will continue to work closely with the implementation team to assure outstanding issues are addressed and will continue to test the calculation and accuracy of the bills through the quarterly testing completed for the external auditors.

We appreciate the assistance provided by the entire implementation team and especially Utility Services personnel.

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.



S. KaRhonda Leslie, Audit Specialist



Jeanne Covington, Internal City Auditor

c: Larry Novak, Assistant City Manager, Utility Services
Terry Austin, Director, Utility Services, Customer Service
Diane Reichard, Chief Financial Officer and Assistant City Manager
Mary Ann Davis, Finance Director