



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF WATER AND SEWER BILLING AND COLLECTION CONTROLS

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2017.

What We Found

Water & Sewer billing and collection procedures and controls were adequate.

Report Number: 2017-A-03

Date Issued: 12/27/2016

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Water and Sewer Billing and Collection Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found billings are proper, collections are timely, and adjustments are reviewed for propriety. We also noted procedures and controls over the billing and collection process are adequate and reasonable. Prior audit findings have been addressed. We have no recommendations for improvement at this time.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Robert Sandlass, Treasurer
Mr. Joseph Siemek, Director of Public Works
Mr. Joel Caudill, Deputy Director for Water & Sewer



HARFORD COUNTY, MARYLAND

Office of the County Auditor

REVIEW RESULTS

We have audited Water and Sewer billing and collection controls for the period of 7/1/2015 through 6/30/2016. The audit approach focused on confirming the adequacy of the procedures and controls over the billing and collection process.

Our opinion, based on the evidence obtained, is controls over water and sewer billing and collection are adequate to ensure accurate billing and timely collection. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

| Risk | Expected Control | Conclusion |
|---|---|-------------------|
| Meter readings are incorrect | <ul style="list-style-type: none"> The meter reading system identifies unusually high or low or missing readings for manual confirmation | Satisfactory |
| | <ul style="list-style-type: none"> All questionable readings are flagged for supervisor review prior to billing | Satisfactory |
| Usage bills are calculated incorrectly | <ul style="list-style-type: none"> Management reviews billing rate changes for accuracy | Satisfactory |
| | <ul style="list-style-type: none"> A system generated report is produced and reviewed when rates are changed | Satisfactory |
| Accounts are improperly adjusted | <ul style="list-style-type: none"> All meter adjustments are reviewed by a supervisor or independent personnel | Satisfactory |
| | <ul style="list-style-type: none"> All significant billing adjustments are documented and approved by management | Satisfactory |
| New account connection charges and assessments are incorrectly charged. | <ul style="list-style-type: none"> Hookup charges are reviewed by both W&S Engineering and Treasury prior to being invoiced | Satisfactory |
| | <ul style="list-style-type: none"> Treasury periodically reviews assessment calculations for adequacy | Satisfactory |
| Receivables are not collected timely | <ul style="list-style-type: none"> Reports are automatically generated to identify delinquent accounts | Satisfactory |
| | <ul style="list-style-type: none"> Water Service is turned off in a timely fashion for delinquent accounts | Satisfactory |

Although no response was required because there are no conditions requiring remediation, management has been provided an opportunity to respond to this report. The response provided is below.

MANAGEMENT RESPONSE

The Division of W&S and the Office of the Treasurer thank Ms. Brooks and Mr. DeLauder for their thorough review of the billing and collection processes for the County Water and Sewer utility. We are pleased to learn that our processes and procedures meet the established standards.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

The Department of Public Works, Division of Water and Sewer, provides water and sewer service to citizens of Harford County. According to the Harford County Government website, "The Division of Water & Sewer is responsible for the operation, maintenance, administration, planning and engineering of the public water and sewer facilities that service over 130,000 citizens of Harford County." Fiscal year 2016 operating revenue for water and sewer was approximately \$30.5 million.

Customers receive quarterly bills for their consumption, which are calculated automatically based on quarterly water meter readings and the rates in the Water and Sewer Billing System. Rates are adjusted annually to reflect the rates authorized by Bill 15-022. Adjustments to bills are made on a case-by-case basis and in accordance with the County's regulations.

Customers are also billed annually for User Benefit Assessments to pay for the expansion, extension or reconstruction of the water and sewer infrastructure. Those assessments are charged (currently, \$70 for water and \$70 for sewer) for 25 years after a property has been added to the County's utility systems. Some properties are charged additional benefit assessments to recoup the County's debt service costs for local projects; only benefitted customers are charged for those projects. Biannually, the County Treasurer reviews the benefit assessments to ensure the revenue generated is adequate to cover the related project expenses and to ensure the correct properties are billed.

Property owners within the County's service area may request a new connection to the County's water and sewer system via an application process. After approval, an invoice is generated for the labor, supplies and equipment used to build the connection to the system. The invoice must be paid prior to the County making the connection.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to confirm that controls over Water and Sewer Billing and Collections are adequate to ensure that customers are billed the correct amount and

payment is received timely. The scope of the review was limited to ensuring billings are proper, collections are timely and adjustments are reviewed for propriety.

The audit focused on activity during the period of 7/1/2015 through 6/30/2016. Our audit procedures included interviews with and observation of personnel from the Meter Department, Water and Sewer Administration, and Water and Sewer Accounting to gather an understanding of the meter reading, billing, and adjustment processes. We tested a sample of transactions to assess the effectiveness of the aforementioned processes as well as the County's collection controls. We performed data analysis to confirm that billing rates agreed to the legislatively approved rates and bills were calculated correctly. We also performed application reviews of the ITRON (Meter Reading) and Water and Sewer Billing systems to determine if proper controls exist over the input, processing and output of data. Our testing also confirmed prior findings were adequately addressed.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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.

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder, CPA
Senior Auditor