Anne Arundel County
Office of the County Auditor

Audit Report

Utility Billing Adjustments

January 2023

The County, generally, has an established process for utility billing adjustments. However, that process did not ensure that utility billing adjustments were subject to review and approval. This is significant because the County also did not monitor user access capabilities of the County's utility billing system that would provide assurance that user access was adequately restricted, resulting in users with improper access to perform billing adjustments.

The County did not ensure that all new meter billing accounts and subsequent changes were subject to supervisory review and approval and did not ensure certain utility billing accounts were transferred to the new customer responsible for the utility consumption. This resulted in required adjustments and loss of funds to the County. Also, the process did not ensure that all utility billing refunds were properly issued. Two departments, the Office of Finance and the Department of Public Works, oversee the utility billing process but worked independently, leaving the County more susceptible to errors, incomplete billings, and improper handling of accounts.

To address these issues, the County has an opportunity to analyze the current structure of all aspects of utility billing, including adjustments, and develop and adopt the best solution to improve accountability, which is critical to ensure public confidence.

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The Office of the County Auditor was created by the Anne Arundel County Charter as an independent office reporting to the County Council to help establish accountability and improve County services. We conduct performance audits to review aspects of a County service or program and provide recommendations for improvement.

This report is intended solely for the use of the County Council and Anne Arundel County Management. We acknowledge the cooperation extended to us during the course of the audit by the Office of Finance and Department of Public Works.

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To Obtain Further Information

Office of the County Auditor
60 West Street, Suite 405
Annapolis, Maryland 21401
Phone: (410) 222-1138
Maryland Relay: 7-1-1
E-mail: audit-line@aacounty.org
Website: www.aacounty.org/departments/auditor

Contents

Cover: Water meter cover provided by the Department of Public Works, October 2022.

Objective

Were internal controls over adjustments that reduce utility bills adequate to provide management with reasonable assurance that revenues are safeguarded against loss from unauthorized reductions?

Was the system access to the County billing system used for posting adjustments to reduce utility bills limited to those employees that require such access to perform their job functions?

Background

Who Is Responsible

The Office of Finance (OOF) is responsible for utility billing, including billing for water and wastewater service for 140,000 customers and related billing adjustments, front foot assessments, capital facility assessments, and installment agreements. OOF also administers utility credit programs, commercial surcharges, and disconnecting and reconnecting delinquent accounts.

The Department of Public Works manages water and wastewater operations, including the meter services and emergency services programs. These responsibilities include reading of customer accounts and the transfer of that usage information to the utility billing system and turning off water for delinquent accounts.

During fiscal years 2017 and 2022, OOF billed $118,795,000 and $126,556,000 for water and wastewater usage, respectively. Also during fiscal year 2017, OOF processed 35,900 adjustments for a total of $4,862,000 and during fiscal year 2022, OOF processed 32,700 adjustments for a total of $2,433,000.

Audit Results and Recommendations

What We Found

The County, generally, has an established process for utility billing adjustments. However, that process did not ensure that utility billing adjustments were subject to review and approval. This is significant because the County also did not monitor user access capabilities of the County's utility billing system that would provide assurance that user access was adequately restricted, resulting in users with improper access to perform billing adjustments.

The County did not ensure that all new meter billing accounts and subsequent changes were subject to supervisory review and approval and did not ensure certain utility billing accounts were transferred to the new customer responsible for the utility consumption. This resulted in required adjustments and loss of funds to the County. The County also did not handle a delinquent account in accordance with the County law. The County did not always ensure department leak adjustment policies were followed and oversight over these policies were not monitored. Additionally, the process did not ensure that all utility billing refunds were properly issued. Two departments, the Office of Finance and the Department of Public Works, oversee the utility billing process but worked independently, leaving the County more susceptible to errors, incomplete billings, and improper handling of accounts.

To address these issues, the County has an opportunity to analyze the current structure of all aspects of utility billing, including adjustments, and develop and adopt the best solution to improve accountability, which is critical to ensure public confidence.

Finding 1

The Office of Finance (OOF) did not establish procedures to ensure that utility billing adjustments were subject to review and approval.

Approximately $2.2 million in utility billing system adjustments tested were not reviewed and approved as to their propriety.

Analysis

The Office of Finance (OOF) did not establish procedures to ensure that utility billing adjustments were subject to review and approval. Specifically, although there was a manual review over the propriety of adjustments prior to the adjustment being processed in the utility billing system, this procedure did not ensure that all adjustments processed were subject to supervisory review and approval. In addition, OOF did not use available system reports that list all changes made within the utility billing system to subsequently review and verify their propriety.

Our test of 43 adjustments, totaling approximately $2,210,000 during fiscal years 2016 and 2017, disclosed that all 43 adjustments were not subject to supervisory review and approval after the adjustment was processed in the billing system. Our testing did identify that 22 of these adjustments were signed off by a supervisor, however, this review and sign-off occurred prior to the adjustment being recorded in the billing system.

Consequently, unauthorized adjustments could be made in the utility billing system without detection. This condition is significant in view of the user access control deficiencies mentioned in Finding 2.

Recommendation 1

We recommend that OOF establish a procedure to ensure that all adjustments processed are reviewed as to their propriety and approved by a supervisory employee. This could include using available system reports to ensure that all adjustments are subject to review and approval.

Finding 2

The OOF process to monitor user access capabilities of the County's utility billing system did not provide assurance that user access was adequately restricted.

Analysis

The OOF process to monitor user access capabilities of the County's utility billing system did not provide assurance that user access was adequately restricted, resulting in improper access to perform billing adjustments. The billing system is used by OOF to generate utility bills and maintain accounts receivable records. OOF assigns system access capabilities to all County employees whose job responsibilities require use of the billing system and must be disabled when access is no longer necessary. As of July 2018, there were 181 active user accounts in the billing system, of which 101 were user accounts at County agencies other than OOF, such as the Office of the Budget, Department of Inspections and Permits, and Department of Recreation and Parks. During fiscal year 2017, there were 568,900 water and wastewater bills created totaling $118,795,000 and 35,900 adjustments performed totaling $4,862,000. In fiscal year 2022, there were 590,900 water and wastewater bills created totaling $126,556,000 and 32,700 adjustments performed totaling $2,433,000.

Our review of user access as of July 2018 granted to all billing system users disclosed the following conditions.

Seventy-seven users in the utility billing system had improper access to perform billing adjustments.

- OOF did not use available system output reports of user access granted to all County employees to perform periodic reviews of user access. Specifically, 77 users outside of OOF's Utility Billing, such as the Department of Public Libraries, Department of Public Works (DPW), and the Office of Law, had improper system access to perform billing adjustments, which is the responsibility of OOF.
- Three employees (one OOF and two Office of Information Technology (OIT)) that are responsible for monitoring employee security settings and assigning access were not independent because these employees were also able to perform critical financial activities, such as initiating utility bills and performing billing adjustments.
- OOF did not disable temporary access granted to DPW employees upon completion of a special project. Specifically, OOF and DPW did not enter into a memorandum of agreement when OOF assigned user access to five DPW employees during fiscal years 2017 and 2018 to perform billing adjustments when legislation caused a change in surcharge/recoupment rates in 2016, requiring a need to process billing adjustments to correct the rates. According to OOF, an arrangement was made between OOF and DPW for DPW to process the adjustments in the billing system; however, OOF did not immediately disable the DPW employees'

user access once DPW completed all of the necessary billing adjustments. OOF also did not detail roles and responsibilities for each entity, such as review and approval of critical transactions. As of July 2018, four of these users still had access to perform billing adjustments, which were not subject to any review by OOF (these users are included in the first bullet because their access was no longer needed).

Our review of adjustments performed by DPW disclosed that the adjustments were generally not subject to review and approval by OOF. During fiscal year 2017, four DPW employees performed 1,379 adjustments totaling $15,000. During fiscal year 2018, three DPW employees, including two of the four aforementioned employees with access in fiscal year 2017, performed 662 adjustments totaling $4,300.

- Twelve employees had duplicate user accounts in the billing system. For instance, one employee had three user accounts.
- Terminated employees were not always disabled in the billing system by OOF. Specifically, 11 terminated employees still had an active billing system account as of July 2018 (the date of our review). The employee's termination dates ranged from 4 to 34 months prior to the date of our review.

Consequently, there was a lack of assurance that all transactions in the billing system were proper and a lack of individual accountability over billing system transactions. The OIT *Information Technology Security Policy* requires agencies to perform system access reviews at least annually and it supports the concept of "least privilege." The principle of least privilege ensures that the lowest level of access needed to perform job duties should be granted. The system owner is responsible for determining the appropriateness of access to determine if they are reasonable based on the employee's job responsibilities.

Recommendation 2
We recommend that OOF

a. **ensure that documented periodic reviews of employee access to the billing system are comprehensive and performed by an employee who is independent of the process of establishing or modifying user accounts;**
b. **disable any improper user accounts or access capabilities, including those noted above;**
c. **enter into a memorandum of agreement with applicable entities to, at a minimum, detail the roles and responsibilities for each entity and critical areas, such as timeline of handling the issue-at-hand and approving critical transactions performed if a similar special project is required in the future;**
d. **prevent the authorization of duplicate user accounts; and**
e. **immediately disable terminated employees' user access capabilities.**

Finding 3

OOF had not established procedures to ensure that all new meter billing accounts and subsequent changes were subject to review and approval.

The lack of established procedures resulted in over $430,000 in required account adjustments.

Analysis
OOF had not established procedures to ensure that all new meter billing accounts and subsequent changes to the account data were subject to supervisory review and approval. For example, OOF improperly set up accounts resulting in over $430,000 in required account adjustments to bills. Our review disclosed the following conditions.

- One commercial customer account was set up for the bay restoration fee as residential rather than commercial. This required total account adjustments of $30,000.
- One account was improperly set up to charge duplicate surcharges. This resulted in almost three years of adjustments for a total of over $400,000.
- One account with a master meter for water and sewer usage that serves 104 townhouses was improperly set up to bill individual flat rates for certain accounts in the subdivision. This account needed one year of adjustments to correct the account setup error.
- A sewer only account was set up to bill for both water and sewer. This account needed over three years of adjustments to correct the account set-up error.

These were instances where incorrect account information within the billing system caused billing errors. According to OOF, there was no review and approval prior to creating new accounts and subsequent changes to accounts in the billing system. During fiscal year 2017 there were 2,600 new accounts created and during fiscal year 2022 there were 1,800 new accounts created.

Recommendation 3
We recommend that OOF establish procedures to ensure the propriety of new accounts and subsequent changes to the billing system, including supervisory review and approval.

Finding 4

DPW did not handle a delinquent account in accordance with the County law.

DPW's decision to not turn off water from a property due to a delinquent account resulted in a loss to the County of $45,300.

Analysis
DPW failed to turn off water from a property due to a delinquent account, as required, resulting in a loss to the County of $45,300. Specifically, this account had a bill higher than average due to an unrepaired internal leak that was not paid by the customer, causing the account to go delinquent on June 13, 2015 (overdue for more than 60 days and no payment plan had been established by the customer). OOF adequately informed DPW to turn the water off once the account became delinquent, however, DPW continued to leave the water on from June 2015 until the leak was fixed in June 2016.

County Code § 13-5-810 states that "whenever charges for water service in excess of $200 remain unpaid for at least 60 days after the billing date…the County shall turn off water from the property in arrears and the water shall remain turned off until the unpaid charges have been paid or a payment plan has been established."

Recommendation 4
We recommend DPW comply with the County law by turning off water to all delinquent accounts.

Finding 5

OOF did not establish sufficient procedures to ensure certain utility billing accounts were transferred to the new customer responsible for the utility consumption.

This resulted in a loss to the Water and Wastewater Operating Fund of over $10,000.

Analysis

OOF did not establish sufficient procedures to ensure certain utility billing accounts were transferred to the new customer responsible for the utility consumption, as related to the transfer of leased properties. For example, utility consumption was not billed to a new customer for a period of three years because the customer responsibilities regarding account transfers were not sufficiently established by the County. In this instance, two utility customers neglected for 10 years to inform the County of a change in their lease agreement and therefore, the invoices continued to go to the original utility account holder from 2007 to 2016. The original account holder contacted the County once this was identified and requested a refund. An analysis of the account by OOF showed that billing over the prior 10 years totaled over $31,000. The original account holder was refunded for three years of invoices paid, the maximum allowed by state law, for a total loss to the Water and Wastewater Operating Fund of $10,800.

County law provisions regarding back billing state that OOF may back bill for a period not to exceed three years when billings are incorrect or not made due to an omission or error by a customer. However, the new account holder was not billed for these refunded prior periods because it was determined that the new account holder did not make an error in failing to notify the County when the original account holder no longer leased the property because there was no requirement to do so and, therefore, there was no justification to back bill this account.

When usage is not charged to the appropriate customer, less revenue is received by the Water and Wastewater Operating Fund and ultimately, the entire population of utility rate payers become responsible as the loss of funds may require future rate increases.

Recommendation 5

We recommend that OOF establish procedures to ensure utility billing accounts are adequately transferred to the new customer responsible for the utility consumption.

Finding 6

OOF did not have sufficient procedures to ensure that all utility billing refunds were properly issued.

Analysis

OOF did not have sufficient procedures to ensure that all utility billing refunds were properly issued. A customer is generally eligible for a refund when the customer's total utility bill adjustments (credits) exceed the customer's total utility account charges (billing) or there is an overpayment by the customer. According to OOF records, utility billing refunds totaled $647,000 and $395,000 during fiscal years 2016 and 2017, respectively. Our review disclosed the following conditions.

- Although there was a review of the propriety of utility billing refunds processed, the procedure in place did not ensure that all utility billing refunds were subject to supervisory review and approval. Specifically, one OOF employee had unilateral responsibility for processing refunds and providing their supervisors with a report of refunds, which included specific customer information and amounts to be refunded. The supervisors who performed the review relied on that report prepared by the employee who processed the refunds to identify the refunds subject to review rather than obtain an output report directly from the billing system. This is significant in view of the deficiency mentioned below.
- OOF had not established adequate separation of duties over the utility billing refund process, as documented in the OOF refund policy and procedures. The same OOF employee who processed the refunds in the billing system also received the approved refund documentation from their supervisors, initiated the refund request with OOF's Accounts Payable, picked up the refund checks, and mailed the refund checks to the customers. Consequently, unauthorized refund checks could be processed that may not be detected.

Recommendation 6
We recommend that OOF

a. **establish procedures to ensure that all utility billing refunds are reviewed as to their propriety and approved by a supervisory employee. This could include using available system reports to ensure that all refunds are subject to review and approval;**
b. **ensure the supervisory employee who approves the utility billing refunds, or someone independent of the refund process, be responsible for directly providing approved refund documentation to Accounts Payable to process the refund checks; and**
c. **ensure refund checks are mailed directly to the customer by Accounts Payable. Copies of the refund checks can be provided to the employee who processed the refund for filing purposes.**

We advised OOF on accomplishing the necessary separation of duties using existing personnel.

Finding 7

OOF did not always obtain DPW's authorization for adjustments greater than $1,000 and adhere to the limit of one leak adjustment per five years, as required. Also, DPW did not provide oversight over its leak adjustment policy.

Analysis

OOF did not always comply with DPW's *Policy and Procedure Manual, Water/Sewer Bill Adjustments* (Leak Adjustment Policy), including requesting adjustment approvals and adhering to adjustment time limits. Also, DPW did not provide oversight over its leak adjustment policy. This Leak Adjustment Policy requires OOF to obtain DPW's authorization for all leak adjustment events greater than $1,000. DPW management advised us that a leak adjustment event can include multiple billing cycles, but the total leak event must be reviewed in aggregate to determine whether DPW's authorization is required. In addition, DPW's Leak Adjustment Policy does not allow certain water leak adjustments more than once in five years.

Our review of adjustments disclosed that OOF did not always obtain DPW's authorization for a leak adjustment event that was greater than $1,000 in total and did not always adhere to the limit of one water leak adjustment within five years. For instance, OOF made two leak adjustments to the same account on the same day totaling $1,129 (the two adjustments in total would be considered a leak event) that was not authorized by DPW, as required. According to OOF, it did not seek DPW's authorization because it thought the adjustment approval was only required if a single adjustment exceeded $1,000. Another instance disclosed that OOF authorized a water leak adjustment for a customer that had already received a water leak adjustment within the last five years, which is not allowed per DPW's policy.

Furthermore, DPW did not provide oversight over its Leak Adjustment Policy. Specifically, there was no mechanism in place to ensure all leak adjustments were authorized in accordance with DPW's policy, and DPW did not monitor OOF's compliance with its policy. As a result, unauthorized leak adjustments could be made that would not be readily detected, including the adjustments aforementioned. According to OOF records, leak adjustments were performed on 2,900 accounts totaling approximately $2,440,000 during fiscal years 2016 and 2017. These leak adjustments are one type of adjustment included in Finding 1.

Recommendation 7
We recommend that OOF comply with DPW's Leak Adjustment Policy. Specifically, we recommend that OOF

a. seek DPW's authorization for all leak adjustments over $1,000, including leak events that exceed $1,000; and

b. comply with the five-year limit on certain types of leak adjustments.

We also recommend that DPW provide oversight of its adjustment policy. Specifically, we recommend that DPW implement monitoring procedures for compliance with the Leak Adjustment Policy.

Finding 8

(Policy Issue) OOF and DPW worked independently to oversee the entire utility billing process, leaving the County more susceptible to errors, incomplete billings, and improper handling of accounts.

Analysis
OOF and DPW worked independently to oversee the entire utility billing process, leaving the County more susceptible to errors, incomplete billings, and improper handling of accounts as identified throughout the findings mentioned in this report. Each year, after the hired independent certified public accountant (CPA) firm completes the required County's audit of its Annual Comprehensive Financial Report, it provides a management letter which reports internal control deficiencies and since 2016, the hired independent CPA firm's management letter has included a recommendation for management to "determine one single department that oversees the entire utility billing process," which has not been addressed by OOF and DPW.

Many of the billing adjustment issues and billing challenges identified within this report could be improved by having utility billing oversight performed by one department. While there was cooperation during the audit provided by both OOF and DPW, there were many instances throughout the audit process that information was not consistent or clear accountability was not established by both departments. For example, OOF and DPW had different interpretations regarding the difference between normal utility operations and back billing. OOF interpreted any increase in a bill after the issuance of a bill to be considered back billing, whereas DPW interpreted certain increases to be a part of normal utility operations, such as an actual meter reading after a meter reading error.

This can be improved by developing and adopting clear policies and procedures as well as improving accountability by having one department ultimately responsible for the entire utility billing process. The propriety and accuracy of the utility billing operations is critical to ensure public confidence.

Recommendation 8
We recommend that OOF and DPW along with the assistance of the Administration analyze the current structure of all aspects of utility billing and develop and adopt the best solution to improve accountability over utility billing.

Management Response

1 **<u>The Office of Finance (OOF) did not establish procedures to ensure that utility billing adjustments were subject to review and approval</u>.**

We recommend that OOF establish a procedure to ensure that all adjustments processed are reviewed as to their propriety and approved by a supervisory employee. This could include using available system reports to ensure that all adjustments are subject to review and approval.

<table>
<tr><th colspan="4">Management Response</th></tr>
<tr><td>Analysis</td><td colspan="3"></td></tr>
<tr><td>Please provide additional comments as deemed necessary.</td><td colspan="3"></td></tr>
<tr><td>Recommendation 1</td><td>Agree</td><td>Estimated Implementation Date:</td><td>February 2023</td></tr>
<tr><td>Please provide details of the proposed corrective action plan or explain disagreement.</td><td colspan="3">The OOF will develop a report and procedure for supervisory review to ensure that there are no unauthorized adjustments. In addition, the OOF will continue to explore technology to automate this process.</td></tr>
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Utility Billing Adjustments

Management Response

2

The OOF process to monitor user access capabilities of the County's utility billing system did not provide assurance that user access was adequately restricted.

We recommend that OOF

a. **ensure that documented periodic reviews of employee access to the billing system are comprehensive and performed by an employee who is independent of the process of establishing or modifying user accounts;**
b. **disable any improper user accounts or access capabilities, including those noted above;**
c. **enter into a memorandum of agreement with applicable entities to, at a minimum, detail the roles and responsibilities for each entity and critical areas, such as timeline of handling the issue-at-hand and approving critical transactions performed if a similar special project is required in the future;**
d. **prevent the authorization of duplicate user accounts; and**
e. **immediately disable terminated employees' user access capabilities.**

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	**Estimated Implementation Date:**	Completed January 2019
Please provide details of the proposed corrective action plan or explain disagreement.	The Office of Finance assigned a contract employee in January 2019 to administer the utility billing system's user security.		
Recommendation 2b	Agree	**Estimated Implementation Date:**	N/A
Please provide details of the proposed corrective action plan or explain disagreement.	All user accounts in the utility billing system are retained in the system as a part of the built-in auditing features. Accordingly, users can only be disabled, not removed.		

Recommendation 2c	Agree	**Estimated Implementation Date:**	February 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will develop a form to request special project utility billing system user access. The request will be reviewed and approved by the Assistant Controller for Billings and Customer Service and the authorized representative in DPW. The approved requests will be evaluated at OOF and DPW monthly meetings to determine the need for continued access.		
Recommendation 2d	Agree	**Estimated Implementation Date:**	February 2023
Please provide details of the proposedcorrective action plan or explain disagreement.	The utility billing system security accounts use Lightweight Directory Access Protocol (LDAP) to authenticate through the County's network directory which does not allow for duplicate user IDs. However, we use both upper case and lower case IDs in utility billing system for some users since this it is needed to authenticate access to views for reporting purposes only. The OOF will review the recommendation to add an identifier on the duplicate account.		
Recommendation 2e	Agree	**Estimated Implementation Date:**	Completed January 2019
Please provide details of the proposedcorrective action plan or explain disagreement.	The OOF implemented a process for supervisors to notify County utility billing system Administrators for all employee terminations. Supervisors were informed of this new process. The County utility billing system administrators initiate an OIT Heat Ticket to disable all network access.		

Auditor's Comment:

In regards to management's response to recommendation 2a, although OOF agreed, the contract employee performing this review is not independent from the process, which we determined during subsequent discussions to document the periodic comprehensive review. Management acknowledged the importance of having an independent person with no system access perform and document this periodic comprehensive security review and agreed to consider finding a person independent to perform this task. If OOF does not have an independent employee perform this function, they are subjecting the County to risk of improper access to the utility billing system. For recommendation 2b, although the management response indicates an inability to remove access, during our discussion with management, OOF agreed to disable unnecessary user accounts. Based on follow-up discussions, this work is ongoing for the unnecessary user accounts mentioned above and will be completed in the near future. In regards to management's response to recommendation 2c, although OOF agreed, their response does not include whether the form will detail roles and responsibilities of each entity and critical area, however, in our discussion, OOF agreed to consider detailing roles and responsibilities of each entity and critical areas in future special projects. If OOF does not include these details, they are subjecting the County to the risk of unauthorized utility billing adjustments. For recommendation 2d and 2e, based on follow-up discussions, this work is ongoing for the duplicate and terminated employees' user accounts mentioned above and will be completed in the near future.

Management Response

3

OOF had not established procedures to ensure that all new meter billing accounts and subsequent changes were subject to review and approval.

We recommend that OOF establish procedures to ensure the propriety of new accounts and subsequent changes to the billing system, including supervisory review and approval.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3	Agree	**Estimated Implementation Date:**	May 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will develop a weekly report to review new accounts set up in the utility billing system for supervisory review to ensure accounts have been set up properly for services.		

Auditor's Comment:

In regards to management's response to recommendation 3, the response does not address subsequent changes, however, during discussions with OOF, they agreed to consider subsequent changes as well. If OOF does not include subsequent changes in their review, unauthorized changes or errors could go undetected.

Management Response

4 **DPW did not handle a delinquent account in accordance with the County law.**

We recommend DPW comply with the County law by turning off water to all delinquent accounts.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4	Agree	**Estimated Implementation Date:**	Completed
Please provide details of the proposed corrective action plan or explain disagreement.	Since the time of this incident, in 2015/2016, DPW has followed County law and DPW policy regarding shutoffs. Staff involved in the turnoff process have been trained on the proper procedure. DPW policy for turn offs has been updated several times since then with the most recent update on 5/31/2022.		

Management Response

5 **OOF did not establish sufficient procedures to ensure certain utility billing accounts were transferred to the new customer responsible for the utility consumption.**

We recommend that OOF establish procedures to ensure utility billing accounts are adequately transferred to the new customer responsible for the utility consumption.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5	Disagree	**Estimated Implementation Date:**	Completed 4/16/2020
Please provide details of the proposed corrective action plan or explain disagreement.	The Office of Finance has no way to determine changes until notified by the customer and/or updates are received from the Maryland Department of Assessments and Taxation (SDAT). If contacted by the customer, the Office of Finance requires customers to complete and submit request forms for owner and tenant changes. To prevent this situation, the OOF implemented in 2018 the "Request for Change in New Owner's Name" form which is usually submitted by the title company after a property settlement. In addition, DPW developed procedures for final meter readings before a property is transferred or sold. This policy relies on the notification from the customer or title company. The Law Office advised that usage concerns are between property owners and a credit or refund should not be issued if the County was not notified.		

Auditor's Comment:

In regards to management's response for recommendation 5, although OOF disagreed with the recommendation, they have indicated that OOF and DPW have implemented certain procedures to aid in the transfer of utility billing accounts to new customers. Our finding does not relate to the SDAT process, however, the other steps noted are consistent with our recommendation.

Management Response

6 **OOF did not have sufficient procedures to ensure that all utility billing refunds were properly issued.**

We recommend that OOF

a. **establish procedures to ensure that all utility billing refunds are reviewed as to their propriety and approved by a supervisory employee. This could include using available system reports to ensure that all refunds are subject to review and approval;**

b. **ensure the supervisory employee who approves the utility billing refunds, or someone independent of the refund process, be responsible for directly providing approved refund documentation to Accounts Payable to process the refund checks; and**

c. **ensure refund checks are mailed directly to the customer by Accounts Payable. Copies of the refund checks can be provided to the employee who processed the refund for filing purposes.**

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	Agree	**Estimated Implementation Date:**	March 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The Office of Finance will develop a set of procedures and a report to be run monthly to reconcile authorized refunds and to ensure there are no unauthorized refunds.		
Recommendation 6b	Agree	**Estimated Implementation Date:**	February 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will run an existing report in the utility billing system to reconcile with refunds issued to ensure that only authorized refunds were processed.		

Recommendation 6c	Agree	Estimated Implementation Date:	March 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The Office of Finance will direct the Accounts Payable section to mail the refund checks directly to the customers. The OOF will develop a procedure for Utility Billing to receive copies of checks from Accounts Payable.		

Auditor's Comment:

In regards to management's response to recommendation 6b, OOF response does not address the need for an independent employee to deliver the refund request to Accounts Payable, however, during discussions with OOF, they agreed to consider having an independent employee perform this function. If OOF does not have an independent employee perform this function, they are subjecting the County to risk that utility billing refunds could be misappropriated without detection.

Management Response

7 **OOF did not always obtain DPW's authorization for adjustments greater than $1,000 and adhere to the limit of one leak adjustment per five years, as required. Also, DPW did not provide oversight over its leak adjustment policy.**

We recommend that OOF comply with DPW's Leak Adjustment Policy. Specifically, we recommend that OOF

a. seek DPW's authorization for all leak adjustments over $1,000, including leak events that exceed $1,000; and

b. comply with the five-year limit on certain types of leak adjustments.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7a	Agree	**Estimated Implementation Date:**	Completed December 2022
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will continue to ensure that all leak adjustments over $1,000 receive approval from DPW. OOF supervisors were informed to follow policy.		
Recommendation 7b	Agree	**Estimated Implementation Date:**	Ongoing
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will ensure compliance to the leak adjustment policy.		

We also recommend that DPW provide oversight of its adjustment policy. Specifically, we recommend that DPW implement monitoring procedures for compliance with the Leak Adjustment Policy.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.	DPW regularly reviews the adjustment policy, and makes revisions when necessary. Both DPW and OOF have responsibilities in this policy.		
Recommendation 7	Agree	**Estimated Implementation Date:**	March 2023
Please provide details of the proposed corrective action plan or explain disagreement.	The OOF will provide access to reports for DPW to review all leak adjustments.		

Management Response

8 **(Policy Issue) OOF and DPW worked independently to oversee the entire utility billing process, leaving the County more susceptible to errors, incomplete billings, and improper handling of accounts.**

We recommend that OOF and DPW along with the assistance of the Administration analyze the current structure of all aspects of utility billing and develop and adopt the best solution to improve accountability over utility billing.

Management Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 8	Agree	**Estimated Implementation Date:**	Ongoing
Please provide details of the proposed corrective action plan or explain disagreement.	The current organization structure provides separation of duties between the meter shop and the billing, customer service and cashier staff. The Controller and DPW Director will meet at least annually to discuss organization structures, staffing, policies and processes, and ways to enhance and improve billing.		

Scope

The audit scope included Anne Arundel County's utility billing adjustment process activities for fiscal years 2016 through 2017.

Methodology

To complete this audit, we performed the following steps:

- Interviewed key personnel in the utility billing adjustment process.
- Reviewed policies and procedures relevant to the utility billing adjustment process.
- Reviewed the utility billing adjustment oversight or governance structure.
- Analyzed utility billing adjustment information and access in the utility billing system.
- Analyzed department data related to utility billing adjustments.
- Evaluated internal controls related to the utility billing adjustment process.
- Evaluated risk of fraud, waste, and abuse with regards to the County's activities related to the utility billing adjustment process.

Our findings and recommendations address controls in place during our fieldwork and transactions that occurred during fiscal years 2016 and 2017. The transactions selected for testing were based on auditor judgment that considers risk, the amount of the transaction, or the significance of the transaction to the area reviewed. Neither statistical nor non-statistical audit sampling was used to select transactions tested, therefore, our results cannot be projected to the entire population.

Audit Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

Management is responsible for accepting the risk for internal controls and the inherent limitations in controls, therefore, fraud may have occurred and was not detected.

Audit Team

Michelle Bohlayer
County Auditor

Susan Smith
Phyllis Clancy
Jodee Dickinson
Prior County Auditors

County Auditor

Michelle Bohlayer

Assistant County Auditor

Terry Gibson

Other Staff who Contributed to This Report

Karen Howes
Legislative Audit Manager