

**Post-Audit Review 14-07:  
Citywide Utility Usage**

**March 2016**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

Richard Walls, CPA, CIA





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

March 23, 2016

To: Mayor Andy Berke  
City Council Members

Subject: Post-Audit Review of Citywide Utility Usage (Report #14-07)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2015 Citywide Utility Usage report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. There were instances where the City paid utility bills belonging to other entities; and,
2. Incorrect utility bill amounts were paid due to reliance on summary bill statements to process utility payments.

The audit had seven recommendations to improve the process of utility account payments. At the time of this Post-Audit Review, one was not implemented, and six were implemented. The recommendation not implemented is herein reported to the Audit Committee for follow-up, as appropriate.

As a result of diligence by General Services Department staff and implementation of the audit recommendations, we noted overall utility expense has declined approximately \$136,000 (6.4%) over the last 12 months compared to the prior year. This decrease in expenditures has occurred in spite of some increased utility rates. New strategies continue to be implemented which may yield further reductions.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc:     Audit Committee  
          Stacy Richardson, Chief of Staff  
          Maura Sullivan, Chief Operating Officer  
          Daisy Madison, Chief Financial Officer and CDRC Chair  
          Cary Bohannon, Director of General Services

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## RECOMMENDATION NOT IMPLEMENTED (1)

Recommendation	Actions Taken
2 We recommended the General Services Department establish a written process for opening or closing utility accounts. The process should include general access controls, such as username and password, to prevent unauthorized access to the City's utility accounts. The City should also designate, to the utility companies, specific representatives with authority to open and close City accounts.	The General Services Department's written process for opening or closing utility accounts is a work in progress. Forms have been devised but have not been finalized. In the interim, the General Services Department closely monitors accounts newly opened or closed to check for the legitimacy of the transaction.

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## RECOMMENDATIONS FULLY IMPLEMENTED (6)

Recommendation	Actions Taken
1 We recommended the General Services Department continue to maintain and review the list of valid utility accounts including the verification of accurate addresses and location descriptions. The list should be coordinated with the Finance Department employees who process utility payments. We also recommended the General Services Department review and approve all bills prior to payment to ensure errors are detected prior to payment.	The General Services Department continues to maintain and review the list of valid utility accounts including the verification of accurate addresses and location descriptions. The list is coordinated with the Finance Department employees who process utility payments. The General Services Department reviews and approves all bills prior to payment to ensure errors are detected prior to payment. Multiple errors and savings have been identified since our audit report was issued.
3 We recommended the Finance Department work with the utility companies to set up additional master/group billing accounts for water and gas utility services.	The Finance Department continues to work with the utility companies to set up additional master/group billing accounts for water and gas utility services.

<b>Recommendation</b>	<b>Actions Taken</b>
4 We recommended the General Services Department make arrangements with all utility service providers to furnish meaningful, detailed monthly bills.	The General Services Department continues to make arrangements with all utility service providers to furnish meaningful, detailed monthly bills. For example, charges not identified in the past are now clarified in separate email communications.
5 We recommended the General Services Department thoroughly review the monthly utility bill details before processing payment.	The General Services Department reviews and approves all bills prior to payment to ensure errors are detected prior to payment.
6 We recommended the General Services Department utilize seasonal opportunities to discontinue utility accounts when possible to avoid ongoing monthly charges. The electric and water vendors disconnect the meters at no cost and only charge \$10 to \$15 to reconnect.	The General Services Department continues to utilize seasonal opportunities to discontinue utility accounts when possible to avoid ongoing monthly charges. An example is utility accounts used only for the Riverbend Festival.
7 We recommended the General Services Department pursue reimbursements for the amounts paid in error.	The General Services Department continues to pursue reimbursements for the amounts paid in error. An example is the recouping of approximately \$26,000 in reimbursements of sales tax paid in error.

### **City of Chattanooga Fraud, Waste, and Abuse Hotline**

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