

**Post-Audit Review 22-05:
Sewer Fee Collections**

July 2023

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Pamela Swinney, CPA





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

July 12, 2023

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of Sewer Fee Collections (Report #22-05)

Dear Mayor Kelly:

Attached is a summary report on the status of audit recommendations in our 2022 Sewer Fee Collections 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 that the contractor accurately bills city sewer charges to customers but opportunities exist to improve the collection process.

The audit had 12 recommendations to improve efficiency and effectiveness of the sewer fee collection process. At the time of this Post-Audit Review, four recommendations were not implemented, and eight were implemented. Recommendations not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

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 Members**
 Jermain Freeman, Chief of Staff
 Vicki Haley, Chief Financial Officer
 Ryan Ewalt, Chief Operating Officer
 Julia Bursch, Deputy Chief Operating Officer
 William Pitcairn, Administrator Public Works
 Mark Heinzer, Wastewater Systems Administrator
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (4)

Recommendation	Actions Taken
6 We recommended Public Works include the delinquent administrative fee amount and related policies in its policy and procedure manual.	The department has not developed an accounts receivable policy and procedure manual. A draft of its SOP is expected to be complete within 45 days.
8 We recommended Public Works, with the assistance of Finance, develop comprehensive policies and procedures for the sewer fee accounts receivable collection and write off process.	The department has not developed an accounts receivable policy and procedure manual. Currently, the department is discussing various issues with the Finance Department.
11 We recommended Public Works implement a procedure to periodically review accounts with the “write-off” status. If an account is determined to be uncollectible, we recommended Public Works request council approval to write-off the uncollectible account.	The department has not developed an accounts receivable policy and procedure manual. Currently, the department is discussing various issues with the Finance Department.
12 We recommended Public Works include the new procedures in its comprehensive policy and procedure manual. A policy should be established to provide for ‘write-offs’ of accounts receivable, including timeframe, dollar thresholds and decision-making authority.	The department has not developed an accounts receivable policy and procedure manual. Currently, the department is discussing various issues with the Finance Department.

RECOMMENDATIONS FULLY IMPLEMENTED (8)

Recommendation	Actions Taken
1 We recommended ENCO collect late penalty fees in accordance with City Code.	ENCO has made the necessary corrections to BillMaster and began collected the late payment penalty fees as of February 27, 2023.
2 We recommended ENCO develop a procedure to ensure the late penalty fees are accurately charged.	ENCO has corrected its procedures to ensure the late penalty fees are charged to delinquent accounts in accordance with City Code.
3 We recommended Public Works discontinue the practice of allowing a grace period unless amendments are made to the City Code.	The late payment penalty grace period was discontinued with the February 27, 2023 bill date.

Recommendation	Actions Taken
4 We recommended ENCO give credit to customer accounts that were overcharged.	ENCO has corrected the customer accounts that were overcharged effective December 29, 2022.
5 We recommended ENCO develop a procedure to ensure disconnect administrative fees are consistently charged to customers.	The Delinquent Administrative Charge (DAC) process has been modified to match and charge the DAC which exactly ties into the successful disconnection responses received from Tennessee American Water and cross-checked with the master disconnection spreadsheet.
7 We recommended ENCO process billing statements for 120 days after the account is closed.	Monthly billing statements are mailed to delinquent accounts for 120 days after the account closes as of November 21, 2022.
9 We recommended ENCO submit delinquent closed accounts to the collection agency in accordance with policy set by the City.	Effective with the NRS submission date of 11/14/2022, all closed accounts with amounts over \$10.00 and with account closing dates of greater than 119 days are now submitted for collection to NRS on a weekly basis.
10 We recommended ENCO accurately post payments received from the collection agency to customer accounts in BillMaster.	Based on our review, ENCO accurately posted payments received from the collection agency.

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