

City Clerk



Audit of Municipal Services Billing
and Collections
by the City of Milwaukee
Water Works

W. MARTIN MORICS
City Comptroller
City of Milwaukee, Wisconsin

May, 2003

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Office of the Comptroller

May 9, 2003

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Comptroller

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To the Honorable
The Common Council, City of Milwaukee
Council Members:

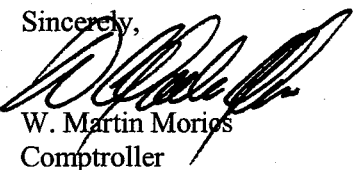
We are pleased to submit for your review and consideration this Audit of the Municipal Services Billing and Collections by the Milwaukee Water Works (MWW). The Audit sought to determine whether Municipal Services bills were accurate and sent to the proper customers; whether billing and collections are timely; what level of customer service is provided; the effectiveness of collection efforts and the accuracy and reliability of MWW's computerized billing and collection system. The detailed Audit objectives are described in the Audit Scope and Objectives Section – page three of this Report.

The Audit focused on MWW billing and collection efforts from the point that meters are read through billing and the recording of payments. The Audit also included an examination of the Water Work's files, computer database and office policies and procedures. The Audit included a limited survey of 28 of the largest water utilities in the United States regarding billing and collection methodology. The Audit did not focus on the internal controls over cash handling at MWW. The Audit did not evaluate the appropriateness of any of the charges on the City's Municipal Services bill.

The Audit determined that MWW accurately bills appropriate customers. Billings were timely given the Water Work's established policies. However, compared to most of its peers, billing is performed less frequently. MWW makes a substantial effort to provide quality customer service necessitated by the extremely high number of customer calls. MWW collection efforts need improvement, as delinquencies and transfers to the property tax rolls are growing. The Audit was not able to perform a systems reliability examination mainly due to the lack of documented water billing policies and procedures. Audit recommendations are made to address these issues including a re-examination of the feasibility of a monthly or bi-monthly municipal services billing to replace current quarterly billing.

Appreciation is expressed for the full co-operation extended to the auditors by the Commissioner and staff of the Milwaukee Water Works.

Sincerely,



W. Martin Morics
Comptroller

Cc. Superintendent Carrie M. Lewis
Assistant Superintendent Dale Mejak

AUDIT OBJECTIVES AND SCOPE

AUDIT OBJECTIVES AND SCOPE

The objectives of this audit were to:

- Determine whether the Water Works is accurately billing all items on the Municipal Service bills to the proper customers;
- Assess the timeliness of the Municipal Service billing process;
- Evaluate the level of customer service provided in the billing and collections process;
- Determine the effectiveness of the Water Works collections efforts, and
- Evaluate the accuracy and reliability of the Water Work's computerized billing and collection system.

The scope of this audit included all amounts billed and collected by the Water Works in 2001 and to a limited extent 2002. The audit included:

- Interviews with staff and an examination of records supporting amounts billed;
- An examination of invoices mailed;
- A review of a billing sample, including the computation of amounts charged, posted receipts, and the recording of billings and receipts on the City's accounting system.
- "Drive by" observations of active and inactive accounts;
- An examination of trends in delinquent accounts.

The audit did not review cash handling or posting to the collections system. Also, the Audit does not attempt to determine the appropriateness or desirability of the charges included in the current municipal services bill.

**ORGANIZATIONAL AND FISCAL
IMPACT**

Organizational and Fiscal Impact

Milwaukee Water Works (MWW) is a public utility owned by the City of Milwaukee and is treated as an enterprise fund in the City's financial records. As a public utility, the Wisconsin Public Service Commission (PSC) regulates MWW.

The main business of MWW is to provide water to city residents and other municipalities that total over 160,000 accounts. The provision of water can be broken into retail and wholesale categories. Retail water service is provided to individual residential and commercial customers. Wholesale water service is bulk water provided to other municipalities.

- MWW provides retail water service to residential customers in the following municipalities: Milwaukee, West Milwaukee, Greenfield, Hales Corners and St. Francis.
- MWW also provides wholesale water directly to Brown Deer, Butler, Greendale, Menomonee Falls, Milwaukee County, Shorewood, Wauwatosa, WE Energies (Mequon service) and West Allis.

In addition to water services, the City provides local sewer maintenance and fire protection. The City of Milwaukee likewise provides snow and ice removal. Also, the Milwaukee Metro Sewerage District (MMSD) provides for the collection and treatment of sewage. All of these services are paid for through charges assessed in a quarterly Municipal Services Bill.

Until 1998, MWW billed only for water and metro sewer services, a common practice among all water utilities in the nation. Since 1998, other municipal service fees have been added to the Water-Sewer service bill. The Municipal Services Bill now includes:

- Water usage
- Metro sewer usage (MMSD)

- Local sewer usage
- Fire protection
- Solid waste
- Snow and ice removal.

The bill itself was identified as “the water bill” and now is termed a “municipal services bill.”

MWW uses two different billing cycles for its customers. As the largest group, residential customers are billed quarterly (every 13 weeks). Weekly, a portion of the customer base is billed (See: Appendix 1), with each customer receiving a bill every 13th week. Approximately 1500 commercial customers are billed monthly.

Customers who fail to pay their full balance each quarter are subject to late fees. Late fees are assessed at five percent per quarter for water, three percent for sewer and other fees when payment is not received within seven days of the payment due date. Partial payments are applied first to the outstanding water service charge balance, next to any outstanding sewer charge balance, then to remaining charges.

Customers failing to make a payment after the second billing period (an additional three months after the first billing period) are considered delinquent and are susceptible to further collection efforts and possible disconnection. A disconnection notice is sent to all delinquent accounts. Ten days after the disconnection notice has been mailed, the account is scheduled for a final collection effort. For selected delinquent accounts, MWW sends a collector to the residence to attempt to collect the bill, accept a partial payment and make arrangements to get the account current. If payment or payment arrangements are not made, service will be disconnected at that time.

Accounts deemed delinquent and having a balance in excess of \$100 in October are placed on the property tax roll (Note: Municipal Services bills will follow a property owner, not an individual user.) The transfer of delinquent accounts to the City tax roll includes properties owned by Not-for-Profit organizations. The City pays MWW in full

for all delinquent accounts. The City will collect most of these delinquencies when property taxes are collected. However, some property owners forfeit their properties to the City without making any property tax payment. Unfortunately, more often than not the sales proceeds the City receives on an auction are insufficient to cover the property's entire delinquent tax bill. Those uncollected amounts (other than water) are applied to the Sewer Treatment Account as a bad debt and added to the sewer treatment charge for the coming year. Bad debts resulting from water charges are added to the City property tax levy.

The Municipal Services bill accounts for more than \$147 million gross revenues annually, resulting in net operating revenues of approximately \$30 million. This includes all municipal service billings.

**AUDIT FINDINGS, CONCLUSIONS
AND RECOMMENDATIONS**

Audit Findings, Conclusions and Recommendations

1. Are billings made by MWW accurate and issued to the proper customers?

In general, Municipal Service billings are accurately and properly issued to customers. The audit randomly sampled 203 of the over 160,000 accounts maintained in the billing system. The audit also judgmentally sampled 25 accounts listed as inactive and 25 new accounts established in the year 2000 in order to conduct "drive by" observations (See: Appendix 2 for the results of the sample). With one minor exception, bills examined in the audit sample were accurately calculated and issued to the proper customers.

Initially the audit identified many apparent variances to normal MWW billing practices. Once identified, these variances were researched, explained and cleared with MWW staff. In fact, only a single unresolved variance to normal MWW practices remained. A lack of written billing procedures contributed to the auditors' difficulty in understanding the MWW treatment of unusual circumstances. (For example, a change of calculation method during the first quarter of 2000 was not identified in the available documentation).

2. Are customer billings timely?

Quarterly customer billings are generally timely given the current City practice of quarterly billing. However, quarterly billing leads to numerous delays negatively affecting MWW's rate of collections. Further, quarterly billing cannot be considered timely based on an audit survey of current industry practices. Other business requirements such as identifying broken or malfunctioning meters, vacated properties, etc. are also hampered by quarterly billing unless meters are read and examined more frequently.

MWW reads meters every three months for all residential customers. This thirteen-week cycle has been in place for over 25 years. Commercial customers have their meters read every month. MWW issues billings within 20 days of the end of each cycle.

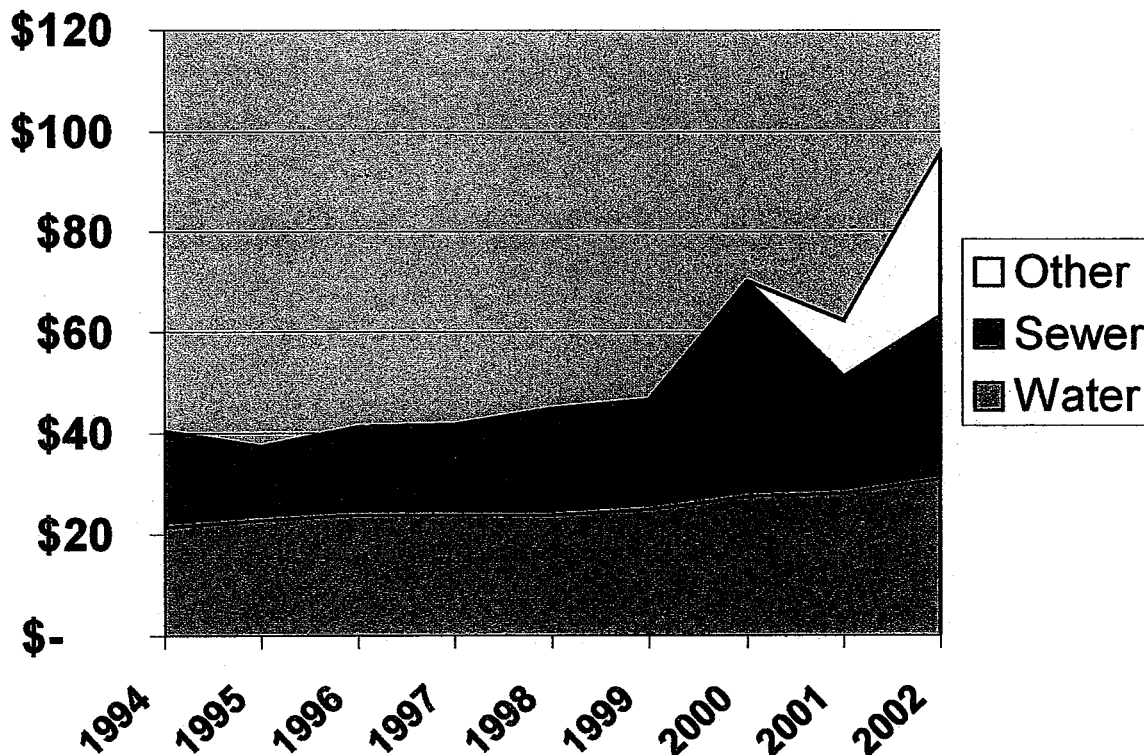
During 1999 – 2001, MWW installed radiometer-reading equipment in nearly all city residences, expanding water meter reading capacity by a multiple of 5 to 6 times the capacity of the former manual meter reading method. MWW indicated that it has tested monthly meter checking/reading for all meters, concluding that an additional meter reader would be needed to continue monthly reading/checking City-wide.

An Audit survey of the nation's 50 largest municipal water utilities showed that of 28 respondents, only six (21%) billed quarterly. The remaining 79% bill monthly or bi-monthly. Most of these utilities have concluded that monthly or bi-monthly billing is the most cost-effective approach.

Average City of Milwaukee municipal service billings have more than doubled over the past three years. It is likely that the three-month billing cycle has contributed to customer collection problems and other operational issues.

1. Increasing delinquencies: Given the substantial increase in the municipal service fees and water usage charges, bills are apparently becoming more difficult to pay for many customers (See conclusion #4-Delinquency Trends below). According to the MWW, Municipal Service bills which formerly totaled around \$44 per quarter in 1998 were around \$113 per quarter as of December 31, 2000. Reserving money for such large quarterly bills is likely to be difficult for many families, especially those of limited income. Delinquencies have increased both in total dollars and as a percent of billings. The chart below was developed using the actual bill from a City residence. The water bill increased from \$36.50 to \$103.36. The amounts in this chart have been modified to show the change in rates given a constant volume of water and sewer usage. The charges have more than doubled since 1997.

Trends in Municipal Service Charges for Average Household*



* Assumes a constant water usage of 1400 cubic feet per quarter.

Source: Comptroller's Office

2. Three months are required to identify delinquent accounts under the current quarterly billing system: the audit found 30 to 45 days to be the prevalent practice in other major water utilities surveyed.
3. Late discovery of meter problems: Because meters were read only once every three months, some meters could be inoperative or improperly recording long before the problem was identified. Such delays create

billing and customer related problems while increasing the work of the billing staff correcting and adjusting bills.

4. Delayed discovery of properties where the water meter had been illegally removed.

A change to monthly or bi-monthly billing would substantially increase postage costs as well as internal billing costs to prepare these increased billings. However, supported by an effective billing and accounts receivable system and timely automated meter reading, delinquencies and the associated tax levy impact should be reduced substantially. In addition, a change to more frequent billing would produce a substantial one-time cash flow to the MWW that would more than cover new billing implementation costs.

Recommendation 1:

The audit recommends that MWW should investigate the feasibility of shortening the current 13-week billing interval to a monthly or bi-monthly billing cycle.

A one-time cash inflow from \$9 - 11 million could be realized by the MWW by shortening the billing cycle to one month. This cash flow should finance required system changes and additional operating costs to provide time for a gradual reduction in delinquencies. An expected increase in collections should offset most if not all of the added on-going operating costs of a monthly or bi-monthly billing and collections system.

3. What level of customer service is provided related to the municipal services billing and payment process?

MWW invests a substantial and increasing amount of staff time responding to customer questions and complaints. An average of 200 calls to MWW is made daily regarding the municipal services bill with this total reaching nearly 1,000 daily at times. The new municipal services charges have no doubt contributed to increased confusion and complaints by MWW customers regarding their bill.

MWW has instituted a web page that provides useful information about the Department, services provided and how to read and pay the municipal services bill. Billing information available on the web page is the same as that appearing on the back of the billing statement. However, the statement does not indicate how partial payments are applied.

MWW data indicates the Department is receiving on average 227 customer service calls per day. The number of calls answered through October 2002 has increased by 12 percent over the same period in 2001. This is a good indicator of customer service. Due to the high volume of calls, MWW is often not able to answer all incoming calls. Customer service calls peak at over 1,000 per day when MWW prepares the transfer of delinquent bills to the property tax rolls. While well identified on the bill, three additional charges added to the water-sewer service bill over the past four years are a likely source of these calls.

The number of billing complaints filed with the PSC had dropped after the installation of radiometers (1999). However, **with the addition of the other fees described above these complaints/questions have now doubled from last year** and are nearly equal to the number of complaints in the last year of manual reading. (See Appendix 3, PSC Complaint Statistics). The PSC has found in MWW favor for all complaints filed over the last two years.

MWW provides for payment by check, direct deposit or money order. Currently, there is no provision for billing/payment on-line or credit card payment. The Audit survey referenced above indicates that 79 percent (22 of 28) of the municipal water utilities surveyed allowed for either on-line (“e-payment”) or credit card payment options.

The billing process and related billing statement presents a variety of areas for improvement including the following:

- Providing a clear explanation on the bill of how partial payments and penalties are applied.
- The number of service codes used to calculate the service charges on the bill are excessive. There are 148 separate billing codes (these define the type/size of meter, frequency of billing, location, etc.). Ten codes are used for over 90 percent of the MWW customers. Over 80 of these codes are used for only one or two customers. Some codes appear to be PSC mandated, while others appear to be holdovers from out-dated manual billing systems. The audit survey of other cities and jurisdictions as mentioned above indicates other cities have far fewer rate codes i.e. Indianapolis (52), Los Angeles and Chicago (<40), St. Louis (<10) and Minneapolis (<20).
- There appears to be an excessive number of service order codes. There are 341 service order codes used to track reasons for such work. However, only 60 codes account for about 98 percent of the work. MWW has indicated that a reduction of service order codes is in process.

Recommendation 2:

MWW should also consider providing for alternate payment options – credit card (using a third party) or on-line billing/payment system. Providing a level payment option should also be considered, especially if monthly or bi-monthly billing proves feasible. These new payment options should be an available feature of the new computer billing system currently under study.

Recommendation 3:

The audit recommends that MWW should review its billing codes and begin eliminating and consolidating the codes to a more manageable number. This simplification of coding should help in the acquisition and transition to a new billing system.

Recommendation 4:

While various ordinances address aspects of the municipal service payments, the audit recommends that a consistent policy should be developed, documented and implemented on how partial payments are applied and penalties/late fees assessed. This policy should be clearly spelled out on the municipal services bill and the MWW web page.

These billing system enhancements offer the following potential benefits:

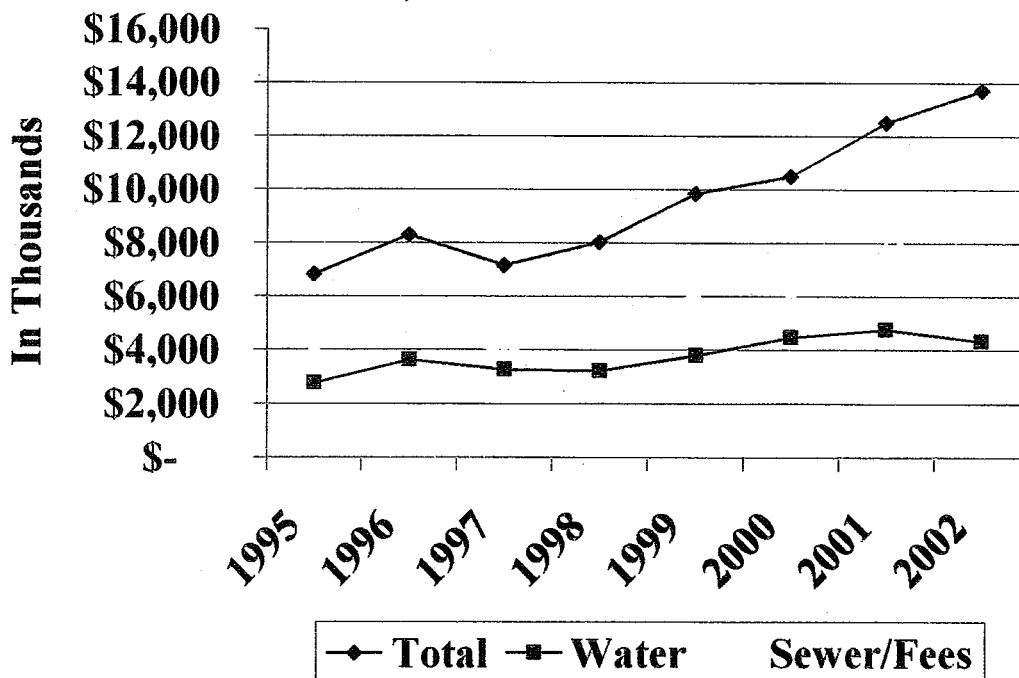
- Reduce customer questions and complaints;
- Ease customer budgeting and payment, which may lead to a reduction in delinquencies;
- Additional "eBill" payment/billing methods should reduce the number of bills sent out by mail and the number of checks processed by the City;
- Improve cash flow as delinquencies are reduced;
- Allow more timely follow-up on delinquent accounts;
- Enable timely identification of operational problems with specific meters;
- Reduce service disconnection orders.

4. How effective are current MWW collection efforts?

Delinquent accounts are extremely high and growing. Delinquencies totaled over \$6 million in 2001 and are estimated to approach \$7 million by the end of 2002. These amounts represent about 14 to 20 percent of water accounts receivable and 23 to 28 percent of sewer accounts receivable respectively. Further, \$12.5 million of

municipal service charge delinquencies was transferred to the property tax roll in 2001. For 2002, the amount being transferred totaled about \$ 13.5 million. Thus the value of over one-month of municipal service billings was transferred to the property tax rolls in each of the last two years. The chart below indicates the increasing trend in delinquencies form 1997 to 2002.

Trends in Municipal Service Charge Delinquencies



Source: Milwaukee Water Works

Accounts are assessed a penalty after three months. Only when accounts have been past due for more than two billing cycles (6 months) are they identified as delinquent and subject to a disconnection notice. Thirty days after the second billing, the MWW system generates a disconnect notice. All of the cities surveyed during the Audit considered their accounts delinquent 20 to 30 days after the first billing or payment due date.

Annually, the City transfers delinquent MWW accounts to the property tax rolls. October of 2001, \$12.5 million in delinquent accounts were transferred to the tax roll; an increase of 19 percent over the 2000 transfer. In October of 2002 the amount transferred increased to \$ 13.5 million, a further increase of eight percent over 2001 and 28 percent over 2000.

At December 31, 2001, there were \$6.2 million in combined water and sewer accounts receivable outstanding for more than 30 days. It is estimated that at year-end 2002 the outstanding amount increased to \$7.1 million (+ 14.5%). This amount represents about 51,000 sewer accounts (34 percent of the customer base) and 30,600 water accounts (18 percent of the customer base).

For the period 1995 – 2001, actual revenue from the water, sewer, and solid waste fees increased by 37 percent. During that same period, delinquent water sewer and solid waste bills transferred to the tax roll increased by 83 percent.

MWW relies on the transfer of delinquent service charges to the property tax as its primary collection tool. If the City is unable to collect the delinquency charges remaining after the property is sold, these bad debts are charged as follows: 1. All water service bad debts are charged to the general property tax levy, and, 2. All other bad debts – MMSD charges, local sewer treatment fees, snow and ice removal fees, and fire protection fees - are charged against the next year's sewer treatment fee. Therefore, **the effect of this growing amount of municipal service delinquencies is two fold: An increase to the property taxes for the water service portion and an increase in the sewer maintenance fees for all other unpaid services.** The schedule on page 15 is the amount written off to the sewer treatment account from 1994 through 2002. Because there is a lag time of two to three years from the time that the delinquency is finally written off as a bad debt, the effect on bad debts of the recent years' increase in delinquencies is not yet known. The amount written off to the City tax roll due to water service bad debts is not available.

Year	Sewer Bad Debt	Percent Change From Prior Year
1994	\$ 81,953	
1995	312,143	+281%
1996	304,030	- 3%
1997	141,815	- 53%
1998	299,025	+111%
1999	266,210	- 11%
2000	224,277	- 16%
2001	191,358	- 15%
2002	296,392	+ 55%

Source: Comptroller's Office

Quarterly billing is likely contributing to delinquencies as rapidly increasing City service charges make the quarterly bill too difficult to budget for and pay in full. In 2001 MWW issued approximately 50,000 disconnect notices to owner occupied residences, about 10,000 disconnection orders issued, and approximately 370 actual disconnections. The remaining 9600 plus accounts either made a full or partial payment of the overdue balance, established a repayment plan acceptable to MWW, or had their balance added to the succeeding year's property taxes.

Current practice is to withhold disconnection of non-owner occupied residences and commercial (monthly billed) accounts, even though such accounts may have a substantial unpaid balance. According to MWW staff, this practice is due to the extra paperwork required by the PSC (every tenant/resident of the property must be notified and given the chance to bring their portion of the delinquency current) and because of fire protection and heating concerns for commercial establishments. However, non-owner occupied and commercial delinquent property accounts having a balance in excess of \$100 are transferred to the property tax roll.

There is a lack of useful managerial information produced by the current computer billing and collections system. The current system has many limitations that discourage active monitoring of water billing and collection system.

Recommendation 5:

The audit recommends that MWW should consider the following actions to reduce the growing delinquency rate:

- Redefine the term “delinquency” to 20-30 days after the initial billing (instead of three months and seven days). This is closer to standard business practice and will promote more timely payment and fairness to all water-municipal service users.
- Consistent with the above change in “delinquency”, use monthly mailings to notify its customers of delinquencies and the methods available to resolve the problem (repayment plans, etc.).
- Develop and document formal policies addressing the disconnection of service. Consistent enforcement of disconnection of service should be applied to all property classes including commercial and non-owner occupied residential properties. The Department should analyze the disposition of accounts that have been mailed disconnection letters to assure the granting of extensions or the issuance of a disconnect work order is applied consistently to all residential customers.
- Develop management reporting features in the new billing system to help monitor delinquencies. Such features could include a report of aged accounts receivable, largest delinquent accounts, delinquent account histories, etc.

5. How reliable is the current MWW computerized billing and collections system?

Although the current municipal services billing system has billed accurately to date, there exists a potential for billing system interruption. Outdated software contributes to this problem, but other factors also pose a risk. These include:

1. The lack of documented billing policies and procedures;
2. Complex water billing rules, and
3. An extensive number of little used billing codes.

Due to these factors the audit was not able to perform a billing System Reliability Test. The MWW outside auditors performed a limited reliability test to meet City financial statement audit standards and found no problems. However, this test measures reliability only in terms of the overall accuracy of the City's Financial Statements – a much more generous standard.

MWW did provide auditors with a variety of billing-collections memos, schedules, etc. However, the Audit was not able to include a series of Reliability Test procedures for this business system because MWW has not codified many of its important billing and collection policies and procedures.

Recommendation 6:

The audit recommends that MWW should:

- Perform a comprehensive examination of current practices addressing the billing, accounts receivable and collection of water and other municipal service charges prior to selection of any major billing and accounts receivable software. Steps include the following:
 1. Inventory current practices, documenting both its policies (What are the rules of operation?) and procedures (How are those rules implemented?);
 2. Evaluate and revise current policies and procedures to achieve:
 - Consistency for all billing types;

- Monthly or bi-monthly billing if proven feasible;
 - Streamlined calculation methodology
 - Reduce the number of billing and service codes.
3. Document these revised policies and procedures in a Billing and Collections Policy and Procedures Manual. Topics could include: meter-reading, pre-billing audit, billing procedures, printing and mailing, adjustment procedures, collection procedures, disconnection procedures, refunds/adjustments, complaint handling, etc.
- Train and cross-train staff in the implementation of the updated policies and procedures.
 - Use the revised Policy and Procedures Manual to identify required processing and management reporting features for selection of municipal services billing collections software and related processing system.

Dos-mjd/03/07/03
AuditWater4-19-03

DEPARTMENT RESPONSE



Department of Public Works

Mariano A. Schifalacqua
Commissioner of Public Works

James P. Purko
Director of Operations

May 5, 2003

Mr. W. Martin Morics, Comptroller
Office of the Comptroller
200 East Wells Street, Room 404
Milwaukee, WI 53202

Dear Mr. Morics:

RE: Response to "Audit of the Municipal Services Billing and Collections by the Milwaukee Water Works"

Thank you for the opportunity to work with your staff to review the billings and collections processes and procedures of the Milwaukee Water Works (MWW), as they relate to charges on the Municipal Services Bill.

We have reviewed the report and offer the following comments on your recommendations.

Recommendation 1

The audit recommends that MWW should investigate the feasibility of shortening the current 13-week billing interval to a monthly or bi-monthly billing cycle. Further, MWW should continue to implement its recent change to monthly meter checking/reading that is in place.

MWW Response

Please refer to the answer provided in Recommendation 5.

Recommendation 2

MWW should also consider providing for alternate payment options—credit card (using a third party) or on-line billing/payment system. Providing a level payment option should also be considered, especially if monthly or bi-monthly billing proves feasible. These new payment options should be an available feature of the new computer billing system currently under study.

MWW Response

MWW concurs with this recommendation and this feature will be incorporated into the requirements for the new customer billing system currently under development.

Recommendation 3

The audit recommends that MWW should review its billing codes and begin eliminating and consolidating the codes to a more manageable number. This simplification of coding should help in the acquisition and transition to a new billing system.

MWW Response

MWW has implemented this recommendation.

Recommendation 4

While various ordinances address aspects of the municipal service payments, the audit recommends that a consistent policy should be developed, documented, and implemented on how partial payments are applied and penalties/late fees assessed. This policy should be clearly spelled out on the municipal services bill and the MWW web page.

MWW Response

MWW has prepared the recommended documentation and is included as an attachment to this response. It will also be made available on the MWW web page. The back of the bill currently does not have sufficient space to present this detailed information and we are exploring the possibility of including only a shortened version there.

Recommendation 5

The audit recommends that MWW should consider the following actions to reduce the growing delinquency rate. As paraphrased by MWW, these actions are:

- a. Redefine delinquency to 20-30 days after the initial billing
- b. Use monthly mailings to notify customers of delinquencies
- c. Develop and document formal policies addressing disconnection of service
- d. Develop management reporting features in the new billing system to help monitor delinquencies.

MWW Response

Recommendations 1 and 5 are both related to increasing the rate at which billed dollars are recovered by Water Works: Recommendation 1 by increasing the frequency at which bills are issued and Recommendation 5 by increasing collection efforts. We believe the approach of increasing the cash flow of these billed amounts is a sound recommendation and we intend to move in this direction as outlined.

Water Works will initially pursue increasing collection efforts in an effort to achieve the largest and quickest benefit. We will analyze the impact of redefining delinquencies to various intervals after the initial billing and service disconnection procedures. The analysis will include the number of accounts that would be classified as "delinquent" under various scenarios, the cost of preparing and mailing notifications to these accounts, and the cost of follow up with "promises to pay" and other possible outcomes. We will subsequently develop formal policies based on the results of this analysis.

We have previously investigated the costs of increasing billing frequency to bi-monthly and monthly. The major components that make up the cost of billing include meter reading (personnel, van, computer equipment), the printing and mailing of the bill, the cost of processing the remittance when received, and the cost of customer service. Increasing billing frequency from quarterly (four times per year) to bi-monthly (six times per year) increases the cost of this activity approximately 1.5 times. Increasing billing frequency from quarterly to monthly (12 times per year) triples the costs. While the amount due per bill will decrease under this recommendation, the annual amount owed will not. Due to the substantial increase of costs associated with this recommendation without quantifiable customer benefit, we do not plan to explore this option further.

Recommendation 6

The audit recommends that MWW should perform a comprehensive examination of current practices addressing the billing, accounts receivable and collection of water and other municipal services charges with two major objectives. Paraphrased by MWW, these objectives are:

- a. To create a comprehensive Policy and Procedure Manual and
- b. To identify and streamline required processing and management reporting features prior to selection a new billing and customer information system.

MWW Response


MWW concurs with this recommendation and work to undertake and complete this activity within the year.

Thank you again for the time and effort your staff put into this audit. It was a learning experience for all involved.

Very truly yours,



Carrie Lewis, Superintendent
Milwaukee Water Works



Mariano A. Schifalacqua, Commissioner
Department of Public Works

Attachment

Milwaukee Water Works

Application of Partial Payments

If a partial payment is received, it will be applied in the following order, from oldest outstanding amounts due to current bills:

Water charges

- 1) Water Bills
- 2) Meter Bills
- 3) Late Charges

If there is a further amount to apply, it will be done in the following order, from oldest outstanding amounts due to current bills:

Non-water charges

- 1) Sewer Treatment Bills
- 2) Late Charges
- 3) Sewer Maintenance Fees
- 4) Solid Waste Fees
- 5) Snow & Ice Fees

If the account is paid in full and there still is a further payment to apply, the credit will be applied to the water portion of the account.

Late Payment Charges

Late payment charges will be assessed on the total outstanding water and sewer amounts one week after the due date. This 5-business day grace period allows for payments in transit. The current late payment rate is 5% for unpaid water charges and 3% for unpaid sewer charges.

APPENDICES

APPENDIX 1

Municipal Services Billing Cycle

(see Overview diagram)

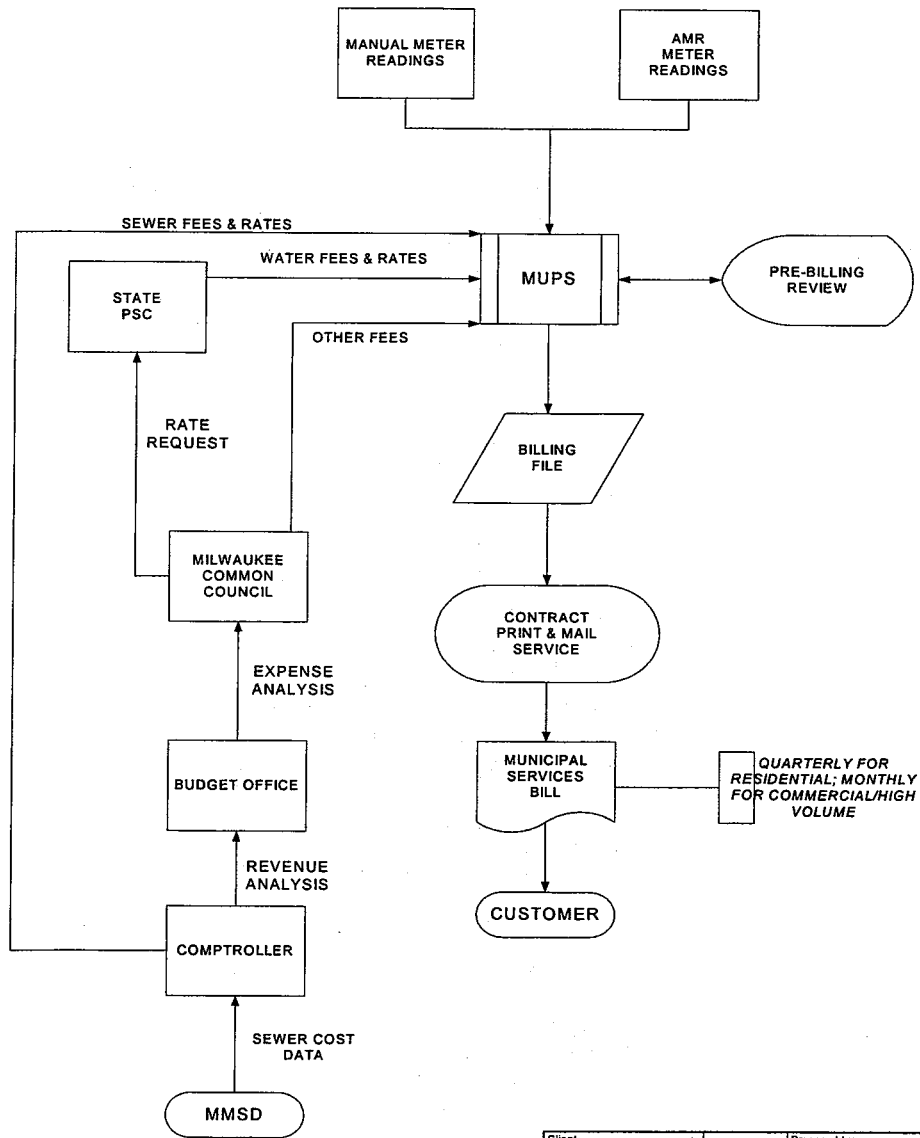
The MWW service area is divided into 99 routes for meter reading purposes, with each route having approximately the same number of accounts. Residential accounts are read and billed quarterly and commercial (high-volume) accounts are read and billed monthly. The routes are read on a rotating basis so that every week some routes are processed and bills generated.

Once the routes have been read, the meter reading data is loaded into MUPS to begin the generation of the bills. MWW performs a pre-billing audit designed to catch problems that would prevent a bill from being generated or that would generate an erroneous bill. Examples of these problems would be a skipped meter, i.e. no reading to process for an account, or a negative amount of water used which would generate a credit on the account instead of an amount due.

When the pre-billing audit is finished, MWW proceeds to run MUPS. This will produce a billing file (all the bills and ACH advices to be printed and sent to the customers) and accounting data files to be provided to FMIS to update the accounting records, and the ACH file that goes to the bank to process the automatic payments. The billing file is sent to the contract printer where the bills and ACH advices are printed and mailed.

Appendix 1

Overview Diagram



Client	WATER BILLING	Page 1 of 1	Prepared by	irs	Date	3/6/03
Process	OVERVIEW		Approved by		Date	

APPENDIX 2

Audit's review of customer accounts

- Recalculated a sample of bills to verify correctness and accuracy
- Approximately 160,000 accounts
- Cannot review 100% of the accounts
- Statistical sampling methods used
 - determined sample size of 206
 - generated random number table to select accounts
- MWW provided listing of accounts and their account number
- Sample picked from the list
- MUPS software installed on two audit pc's to provide access
- For each account selected:
 - Retrieved account history from MUPS
 - Built spreadsheet of data
 - Compared rates used to rate file
 - ❖ **we found the water rates correctly applied**
 - Water usage fee re-calculated
 - ❖ **we found the water usage fees correctly applied**
 - Sewer usage fee re-calculated
 - ❖ **we found the sewer usage fees correctly applied**
 - Appropriate solid waste fee charged
 - ❖ **we did not find any problems with the solid waste charge**
 - Appropriate fire protection fee charged
 - ❖ **we did not find any problems with the fire protection charges**
 - Re-calculated total amount due and compared to account history
 - Account status reviewed (payment vs. billed) and checked for penalty for late payment or no payment

- ❖ **Only one account in the sample had a discrepancy regarding the late payment penalty which apparently was waived by the customer service representative after receiving a promise to pay but without annotating the account records**
- Spot checks of inactive accounts were done to verify building demolition, etc
 - ❖ **we did not find any problems**

Appendix 3

**Public Service
Commission
Referrals**

	1996	1997	1998	1999	2000	2001	YTD 2002	Total
January	5	4	2	2	5	3	1	22
February	6	8	2	5	1	0	2	24
March	5	4	5	3	5	3	4	29
April	4	5	4	7	9	1	5	35
May	3	2	2	10	2	2	6	27
June	1	1	7	3	2	3	5	22
July	7	7	3	4	1	2	2	26
August	8	1	0	11	5	7	4	36
September	6	3	4	2	1	3	2	21
October	5	5	1	3	3	3	6	26
November	1	3	2	2	1	0	9	18
December	4	0	2	2	1	1	0	10
Total	55	43	34	54	36	28	46	296

**Breakdown by
Type of
Complaint**

Type	2001	2002
High Consumption	18	17
ERT Issues	2	5
Delinquencies	2	11
Landlord/Tenant	3	1
Buyer/Seller	1	0
Address Issues	2	0
Fees	0	6
Bill Presentation	0	3
Miscellaneous	0	3
Total	28	46