



The City of San Diego

Staff Report

DATE ISSUED: October 22, 2018

TO: Audit Committee

FROM: Public Utilities Department

SUBJECT: Performance Audit of Public Utilities Department's Water Billing Operations – October 2018 Activity Progress Report

Primary Contact: Rania Amen Phone: (858) 292-6418

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Council District(s): Citywide

OVERVIEW:

This October 2018 Activity Progress Report provides information on the Public Utilities Department's (PUD's) activities and actions taken in support of recommendations in the City Auditor's Performance Audit of the PUD's Water Billing Operations. This report provides an update on the recommendations completed during the months of August and September 2018 per the Department Management's Response Memo (Attachment 1).

PROPOSED ACTIONS:

This item is for information only.

DISCUSSION OF ITEM:

As a result of the City Auditor's Performance Audit of the Public Utilities Department's (PUD's) Water Billing Operations, PUD has implemented several new initiatives to improve water billing accuracy and regain the public trust. This report demonstrates PUD's commitment to secure and safeguard meter reading information as well as to strive to improve the accuracy of customer billing, per the City Auditor's Recommendations 1, 2, 5, 6, 7, 8 and 10, listed below.

Recommendation 1: PUD should develop and enforce a policy to monitor the use of supervisor codes to prohibit the circumvention of controls in handheld devices that detect out-of-range meter readings. In response to this recommendation, the PUD leadership team created and implemented new a Standard Operating Procedure (SOP) and trained staff to ensure proper use of Meter Reader Identification Codes, Passwords, and Supervisor Override Codes in Meter Reading Handheld Devices (Attachment 2).

- ✓ This SOP demonstrates PUD's commitment to secure and safeguard meter reading information in a manner that is visible to employees and customers and requires supervisors to document, daily, whenever a meter reading handheld Override Code is used in the field.
- ✓ This SOP strengthens internal controls and requires at a minimum a monthly system change of the Supervisor Override Code to prohibit circumvention and unauthorized access.
- ✓ This SOP requires safeguarding of supervisor logs, monthly reporting, and internal control activities which document programmatic compliance, at all levels of the Customer Support Division.

Recommendation 2: PUD should periodically assess the strength and effectiveness of their billing control environment. Specifically, to determine the effectiveness of current controls at a macro level, PUD should at least twice a year evaluate the number of implausible readings created and changed, in addition to the number of customers rebilled and the number of customer complaints. PUD could then assess if these numbers are high, identify causes, and adjust controls to address root causes, such as poor Meter Reader performance. In response to this recommendation, PUD developed and implemented the plan to review the number of rebillings (Attachment 3).

- ✓ This deliverable provides key data necessary to generate monthly Rebill Reports, evaluate customer billing control environment statistics and Key Performance Indicators.
- ✓ The Rebill Report serves as a baseline used to for future assessment purposes related to billing accuracy performance and internal control activities.
- ✓ PUD started to report out the number of customer rebills, as of September 2018, to City Council per email transmitted on October 9, 2018 and on a monthly basis.
- ✓ PUD strives to deliver timely, accurate bills to our customers and is working diligently to decline the number of outstanding customer billing cases.

Recommendation 5: PUD should develop a written policy requiring Meter Readers to exclusively use the meter reader identification number assigned to them. In response, the PUD leadership team created and implemented the new SOP, Use of Meter Reader Identification Codes, Passwords, and Supervisor Override Codes in Meter Reading Handheld Devices (Attachment 4).

- ✓ SOP requires Meter Readers to not share their personal identification number (ID). The unique ID will hold each Meter Reader accountable for their meter route reads in the handheld.
- ✓ Proper use of passwords establishes clear audit trails, and as such, this SOP incorporates password protection measures to prevent unauthorized access to handheld devices, takes into account of segregation of duties, and audit trails.
- ✓ SOP requires all Meter Reader IDs to be treated strictly confidential and requires Meter Readers to attend annual SOP awareness training.

Recommendation No. 6: PUD's Customer Support Division should identify all skip codes that require a trouble code entry and those that require immediate supervisory attention (such as locating a meter). To that end, Meter Readers should enter a trouble code for every skip code that requires it. Also, PUD should update their Process Narrative (PN-0326) to align with revisions. In response, PUD leadership team created and implemented the new SOP, Use of Skip Codes and Trouble Codes in Handheld Devices and Supervisory Review (Attachment 5).

- ✓ PUD has prepared the analysis to identify and evaluate skip codes that require a Trouble Code Entry as well as calls for immediate Supervisory attention.
- ✓ PUD updated Process Narrative PN-0326 which was formally approved and posted on the City's intranet site effective 9/25/18.
- ✓ PUD continues to enhance meter reading control processes.

Recommendation 7: PUD should facilitate stronger coordination between the Customer Support Division and the Meter Shop to prioritize repairs and reduce the backlog of unrepaired meters that impact accurate and timely customer billing. Additionally, the Customer Support Division should communicate high priority trouble code entries to the Meter Shop to expedite critical maintenance. In response, PUD leadership team created and implemented the new SOP, Meter Maintenance Communications (Attachment 6)

- ✓ This SOP demonstrates the Department's commitment to cross-divisional coordination to jointly deliver timely responses to high priority meter repair work.
- ✓ SOP requires a sequence of meter maintenance meetings to formerly exchange information, prioritize work, and reduce the backlog of unrepaired meters.
- ✓ SOP requires constant program management oversight and PUD leadership review/engagement to ensure cross-divisional meetings are conducted, work is performed as expected and reported out via an accountability dashboard.

Recommendation 8: PUD's Customer Support Division (CSD) should strengthen supervisory review of Meter Reader accuracy. Specifically, to facilitate a determination about whether skipping the meters was appropriate, and to facilitate remedial action for affected meters, CSD should revise the supervisor review form to include trouble code information in addition to skip code information. In response, the PUD leadership team created and implemented the new SOP, Use of Skip Codes and Trouble Codes in Handheld Devices and Supervisory Review (Attachment 7).

- ✓ This SOP strengthens supervisory review of Meter Reader accuracy and is pending labor union meet & confer sign-off/approval.
- ✓ PUD developed the list of high priority trouble codes and updated the Supervisor Review Form to include Trouble Code information.
- ✓ PUD continues to improve daily reports to conduct assessment of meter reading operations.

Recommendation 10: To improve customer satisfaction, PUD should communicate with customers in advance of any anticipated bill-impacting activities. Specifically, PUD should:

- a) Notify a customer when their meter reading is under review for a prolonged period that may impact their billing schedule or result in receiving multiple bills at the same time.
- b) Inform customers of forthcoming or bill-impacting activities, such as rate increases or prolonged billing periods, with sufficient notice to prepare for additional expenses.

In response, PUD leadership team has executed two new SOPs which are intended to help manage issues related to customer water bills and improve internal coordination and external customer communications (Attachment 8).

- ✓ PUD continues to strive to improve customer communications in advance of any bill-impacting activities.

Furthermore, and in an effort to continuously improve, PUD engaged water utility expert West Monroe LLP (West Monroe) in March 2018 to conduct an independent root-cause analysis of recent billing incidents, identify improvement initiatives based on industry best practices, and identify enhancements to improve customer experience with PUD's call center. West Monroe's report (Attachment 9) was presented to the Environmental Committee in August 2018.

During the months of August and September 2018, in addition to executing the above-referenced City Auditor's planned activities, PUD implemented several West Monroe recommendations resulting from their independent assessment of PUD Meter-to-Cash operations. PUD continues to assess and implement measures to improve internal operations, become a more customer-centric and data-driven utility, enhance conservation messaging, affirm PUD's commitment to safety priorities, and recognize employees demonstrating quality customer services.

The Department is on target to complete the remaining recommendations provided by the City Auditor's Office within timelines provided in the Management's Response Memo as well as West Monroe's recommendations.

City Strategic Plan Goal(s)/Objective(s):

Goal #1: Provide high quality public service.

Objective #2: Improve external and internal coordination and communication.

Objective #4: Ensure equipment and technology are in place so that employees can achieve high quality public service.

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods.

Objective #4: Foster services that improve quality of life.

Fiscal Considerations:

N/A

Environmental Impact:

N/A

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

This item will be heard at the Audit Committee prior to the Independent Rate and Oversight Committee.

Key Stakeholders and Community Outreach Efforts:

N/A

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Assistant Public Utilities Department Director

Johnnie Perkins

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Deputy Chief Operating Officer, Infrastructure/Public Works

Attachment(s):

1. Attachment 1—PUD Management Response dated July 26, 2018
2. Attachment 2 – CoSD Audit No. 1 Aug 2018 Deliverable
3. Attachment 3 – CoSD Audit No. 2 Sept 2018 Deliverable
4. Attachment 4 – CoSD Audit No. 5 Aug 2018 Deliverable
5. Attachment 5 – CoSD Audit No. 6 Sept 2018 Deliverable
6. Attachment 6 – CoSD Audit No. 7 Aug 2018 Deliverable
7. Attachment 7 - CoSD Audit No. 8 Sept 2018 Deliverable
8. Attachment 8 – CoSD Audit No. 10 Sept 2018 Deliverable
9. Attachment 9 – West Monroe LLP Meter-to-Cash Operational Assessment dated July 20, 2018