

January 12, 2015

REPORT #: 2015-08

Steve Zurn, General Manager of GWP
Glendale Water & Power

Dear Steve,

Enclosed is the final report of the Fire Line Credit Refund Audit. Internal Audit would like to thank you and your staff for the support and assistance provided to us during the course of the audit.

Should you have any questions, please feel free to contact Jessie Zhang or myself.

Thank you,



Michele Flynn,
City Auditor

Enclosure

cc: Ramon Abueg, Chief Assistant General Manager
Yasmin Beers, Assistant City Manager
Robert Elliot, Director of Finance
April Fitzpatrick, Deputy General Manager
Craig Kuennen, Business Transformation and Marketing Administrator
Michelle Nall, Information Services Project Manager
Scott Ochoa, City Manager
Tami Vallier, Customer Services Administrator
City Council
Audit Committee

Fire Line Credit Refund Audit

January 12, 2015

Background

At the request of GWP Management, Internal Audit performed the fire line credit refund audit.

On August 5, 2014, the City Council adopted Resolution No. 14-132 authorizing staff the calculation and issuance of refunds for fire line overcharges to fire line customers with fire lines 4 inches and greater in size due to erroneous fire line charges established in 2012. According to this Resolution, the refund *"shall be calculated by substituting and applying the fire line rates in effect prior to April 27, 2012, for the overpayment period and suspension period to determine the correct fire line payments by the affected fire line customers"* and *"the subject refunds will be issued promptly and as expeditiously as possible and no later than six-months"*.

As of the issuance of this report, GWP has completed the calculation and mailed the refund checks to all eligible customers that were due a refund.

Objective and Scope

The objective of this audit is to obtain an understanding of the methodology applied by GWP to assess the fire line credit refund amount and to determine whether adequate controls have been developed to ensure the appropriateness and accuracy of the refund credit calculation. The audit was limited to reviewing the accuracy of the refund worksheet compiled by GWP Customer Services. The audit did not include reviewing the consistency of refunds entered into billing system and the

checks issued from the financial system.

In order to accomplish the audit objectives, the following procedures were performed:

- Obtained and reviewed City Council approved resolution and GWP staff report on fire line overcharges and the refund decision;
- Conducted walkthroughs with GWP Customer Services staff on the methodology used in compiling the refund worksheet and the calculation of the refund amounts;
- Conducted a comparison analysis between the manual and system-generated listing of fire line accounts to determine the completeness of the fire line accounts calculated for refund;
- Performed analytical procedures to determine the reasonableness of the timeframe included in the calculation and total refund amounts based on fire line sizes;
- Conducted detailed review of Excel formulas used in the refund worksheet to determine the accuracy and consistency of the calculation;
- Provided feedback on exceptions noted prior to the refund credit being entered into the billing system for processing.

Summary of Results

It was noted that a designated staff was assigned to lead the refund project to ensure that the calculation is correct and refund is processed on time. Controls have been established by GWP staff to ensure the accuracy of the refund calculation. Exceptions noted resulted mainly from Excel formula inconsistencies and duplicate entries in the refund worksheet. The variance of these exceptions was considered insignificant when comparing the total amount of refund. These have been corrected prior to the final processing of the refund.

Two verbal recommendations were provided to GWP Customer Services in the areas of documenting the methodology used in the fire line refund process for future reference and/or public inquiries, and automating the refund process by populating and uploading refund data from the billing system to the financial accounting system in order to improve efficiency and effectiveness.