

**City of Cuyahoga Falls**  
*Electric Billing*  
**Agreed-Upon Procedures Report**

**Prepared For:**  
**Mayor Don Walters**

**November 23, 2016**



**Summit County**  
**Internal Audit Department**  
**175 South Main Street**  
**Akron, Ohio 44308**

*Lisa L. Skapura, Director*  
*Meredith Merry, Assistant Director*  
*Jon Keenan, Auditor In-Charge*  
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*Miranda Yeaton, Internal Audit Intern*

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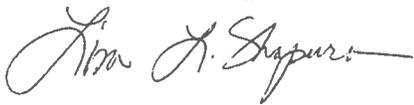
To Mayor Walters:

We have performed the procedures enumerated below, which were requested by the City of Cuyahoga Falls, solely to assist you in performing an assessment of the electric billing process and control environment. This Agreed-Upon Procedure was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We conducted this Agreed-Upon Procedures in accordance with generally accepted government standards. Those standards require that we plan and perform the procedures to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our agreed-upon objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our agreed-upon objectives.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on City of Cuyahoga Falls electric billing functions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use by management of the City of Cuyahoga Falls and is not intended to be and should not be used by anyone other than these specified parties.



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Lisa Skapura, Director  
Summit County Internal Audit Department

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**Background, Scope and Objectives**

At the request of the City of Cuyahoga Falls, the Internal Audit Department (IAD) agreed to perform the following Agreed-Upon Procedures pertaining to the electric billing process for the period June 1, 2016 through July 31, 2016:

1. An overview of the internal control structure for the utility billing process (e.g., input/upload of meter readings, preparation of bills, data input of Council-approved rates, etc.).
2. Documentation of the timeline of events that have occurred respective to the billing system conversion, along with customer complaints/concerns received and how they've been addressed (e.g., billing cycles, payments posted, upload of meter data).
3. Performance of detail testing to ensure proper/accurate billing (e.g., proper rates charged, correct meter readings utilized, payments received credited to the accounts, etc.).
4. Recommendations in accordance with best practices, applicable legislation and accounting principles will be provided.

**Methodology**

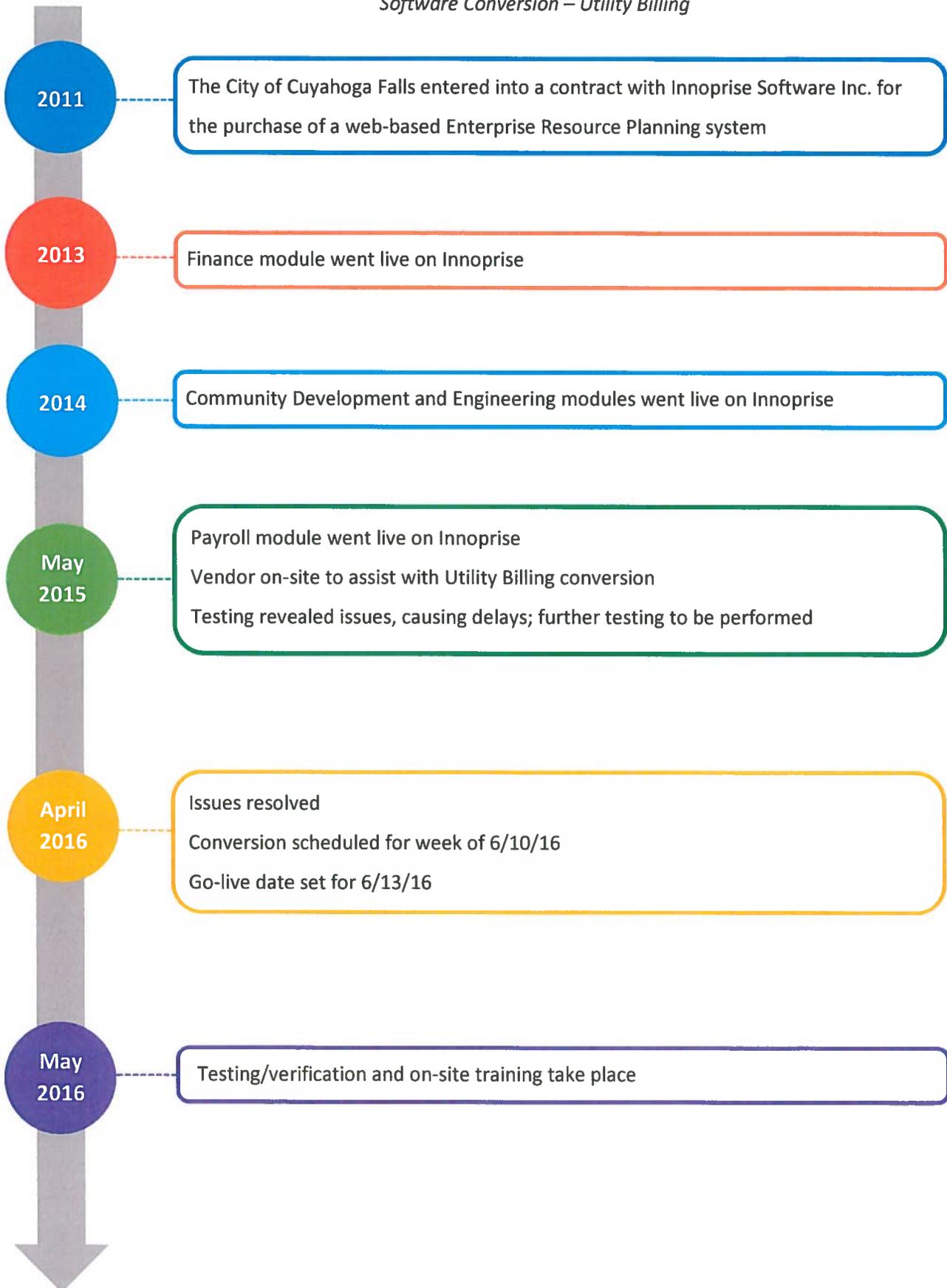
We conducted this engagement in accordance with generally accepted government standards. Those standards require that we plan and perform the procedures to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our agreed-upon objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our agreed-upon objectives.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the City of Cuyahoga Falls electric billing process. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Cuyahoga Falls and is not intended to be and should not be used by anyone other than these specified parties.

# CITY OF CUYAHOGA FALLS TIMELINE OF EVENTS

## Software Conversion – Utility Billing



## CITY OF CUYAHOGA FALLS TIMELINE OF EVENTS

### Software Conversion – Utility Billing

June  
2016

*June 7*

Training/testing completed; go-live date confirmed by vendor and City

*June 12*

Conversion completed with no initial issues; results approved by Utility Billing Dept.

*June 13*

Vendor on-site for go live; discovered conversion data (meter reads) incomplete; Meter read system needs upgraded to interface with new billing system

*June 15*

Upgrade complete; further issues/delays noted. Billing Delayed (cycle 10)

*June 20-24*

Bills issued (cycles 10/15/20); further issues/delays noted. Manual checks need to be completed to verify data (approx. 2,500)

July  
2016

Bills estimated due to meter read issues; bills issued off-cycle

Sept  
2016

Summit County Internal Audit retained to evaluate/test current billing process.

Kevin's Meter Testing retained to test the average accuracy of the single phase meters at the full and light load test.

Oct  
2016

BDO Accounting, Tax, Audit and Consulting firm retained to look at the current process and procedures, to make recommendations and to help implement changes, if needed.

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<b>Work Performed and Observations</b>
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Interviews/discussions were conducted with the following City of Cuyahoga Falls personnel to gain an understanding of the electric billing process within the Utility Billing Department:

- Mayor
- Finance Director
- Law Director
- Service Director
- Deputy Service Director
- Director of IT Services
- Utility Billing Manager

*Electric Billing*

Staff interviews were conducted, applicable Codified Ordinance sections were reviewed, observations were performed, and a flowchart was created and approved to gain an understanding of the electric billing processes, the laws and regulations that govern it, and internal controls in place.

The following electric rate schedules were reviewed:

*Residential Rate Schedules:*

- Residential Service (RS)
- Residential Service/All Electric (RS/AE)
- Residential Service Outside City (RS Out)
- EcoSmart Renewable Energy (EcoSmart)

*Commercial Rate Schedules:*

- General Service Small (GSS)
- General Service Medium (GSM)
- General Service Large (GSL)
- General Service Distribution (GSD)
- Schools and City Service (SCS)
- General Service Large Special (GSL Special)
- General Service Small Outside City (GSS Out)
- General Service Medium Outside City (GSM Out)
- General Service Large Outside City (GSL Out)

The June and July Power Cost Factor (PCF) calculations were obtained and reconciled to supporting documentation (e.g., invoices, Codified Ordinances, etc.) to ensure the PCF charged to customers was properly supported. Additionally, IAD recalculated the PCF to ensure accuracy.

IAD obtained an Electric Billing Report from Innoprise for June billing cycles 10 through 25 and July billing cycles 1 through 25 and selected all accounts (32,185 accounts) in each rate schedule (13 rate schedules) and re-performed 100% of the rate calculations for each customer bill (consumption and PCF charges) in accordance with the rate schedules noted in the Codified Ordinances to ensure the customers were billed correctly. Additionally, IAD haphazardly selected seven hundred forty-nine (749) out of thirty two thousand one hundred eighty-five (32,185) accounts from the detail testing and traced and agreed the recalculated amount to ensure the correct amount transferred to the customer's actual bill.

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IAD obtained a report of meter readings from Innoprise (manual readings not included) for the months of June and July 2016 and haphazardly selected one hundred sixty-three (163) out of twenty nine thousand five hundred twenty-seven (29,527) kilowatt hour (kWh) consumption meter readings and forty-three (43) out of one thousand four hundred twenty-four (1,424) kilowatt (kW) Demand consumption meter readings and reconciled the meter reading from Innoprise to the meter reading contained in STAR (meter reading system) to ensure the accuracy of the meter read transfer. Additionally, IAD compared all (41,660 meter readings which include manual readings) ending June kWh meter readings to the following bill's beginning meter reading to ensure no consumption overlap occurred.

IAD reviewed Innoprise to ensure that if a customer was billed twice in one month, the customer was only assessed one customer charge, in accordance with Codified Ordinance §933.

IAD reviewed customer's bills that are participating in the renewable energy program to ensure the bill denotes that they are participating in the program, in accordance with Codified Ordinance §933.122.

IAD reviewed bills generated for government institutions to ensure the correct PCF charge was used, in accordance with Codified Ordinance §933.12.

At the conclusion of testing, Internal Audit was able to provide a tool to the City to serve as a testing/monitoring tool to be utilized in the future to ensure the accuracy of the following:

- Calculation of each customer's bill is in accordance with the rate schedules noted in the Codified Ordinances to ensure the customers are billed correctly.

*Meter Testing*

In an effort to confirm that the meters were operating effectively, The City contracted with Kevin's Meter Testing to perform testing for average accuracy of the single phase meters at the full load test and the light load test. Both tests were well within the standard revenue metering accuracy limits and Standards Compare reports were provided to confirm the accuracy.

*Customer Service*

During interviews with the Deputy Service Director for the Utility Billing Department, IAD noted that the City has been working to assist customers on a continuous basis to assist with various problems that arose from the utility billing conversion. Customer service logs have identified that each and every customer is being contacted and their problems are being addressed on a case by case basis. Some of the common problems encountered by customers in which customer service continues to assist and correct issues are the following:

- Bills are too high
- Bills were being sent too close to the next billing cycle
- More days are being billed than in the normal billing cycle
- Payments were not posted to customer accounts
- Customers do not understand the new billing format
- How to set up budget billing for paying current bills

*BDO USA, LLP*

At the conclusion of the auditing procedures conducted by IAD, the City retained the services of BDO USA, LLP an Accounting, Tax, Audit and Consulting firm, to look at the current billing process and procedures, correct issues identified, and make recommendations to help implement changes, where needed.

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The following observations and recommendations were noted during testing of the electric billing:

1. Observation:

Upon discussion with personnel, IAD noted no formal policies and procedures in place for electric utility billing processes (e.g., changing electric rates, proofing bills and generating billing files, etc.).

Recommendation:

IAD recommends policies and procedures over the electric utility billing processes be created/updated, approved, and disseminated to all applicable employees. Additionally, IAD recommends that employees sign-off, acknowledging their receipt and review of the policy and procedure manuals. This will help ensure approved policies and procedures are accurate and adhered to by employees.

2. Observation:

Upon discussion with personnel, IAD noted that electric billing proofs are reviewed prior to bill generation to ensure accuracy; however, the review is not documented.

Recommendation:

IAD recommends that review of the electric billing proofs be documented. This will help ensure documentation of the review and any potential errors.

3. Observation:

IAD noted that when a customer received two (2) bills in the same month, each bill included a customer charge. IAD noted these customers did not receive a bill in the prior month; however, per Codified Ordinances, the customer charge is a once per month charge.

Recommendation:

IAD recommends Innoprise be programmed to charge the customer once when billed twice in one month or adjust the Codified Ordinances to allow the customer charge to be billed whenever the customer is billed. This will help to ensure compliance with Codified Ordinances.

4. Observation:

Upon review of renewable energy program participants billing statement, IAD noted the billing statement does not include the customer's participation in the program, in accordance with Codified Ordinance §933.122.

Recommendation:

IAD recommends that the customer participation be noted on the renewable energy program participants billing statement. This will help to ensure compliance with Codified Ordinance §933.122.

5. Observation:

Upon review of government institution's PCF and discussion with personnel, IAD noted PCF for government institutions is not calculated in accordance with Codified Ordinance §933.12.

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Recommendation:

IAD recommends that PCF for government institutions be calculated in accordance with Codified Ordinance §933.12. This will help to ensure government institutions are billed correctly and in accordance with the Codified Ordinance.

6. Observation:

Upon recalculation of residential and commercial electric rate schedules, IAD noted ninety-eight (98) of twenty-nine thousand eight hundred sixty-six (29,866), or 0.3%, residential instances and two hundred three (203) of two thousand three hundred nineteen (2,319), or 9%, commercial instances where the electric bill was calculated incorrectly.

These instances include:

Residential

- Forty-one (41) instances where winter rates were used in lieu of summer rates (RS/AE schedule).
- Fifty-seven (57) instances where the excise tax was calculated incorrectly for customers outside City limits (RS Out schedule).

Commercial\*

- Eighty-two (82) instances where the 2015 kW demand rates were used in lieu of the 2016 rates (GSL, GSD, GSL Special and GSL Out schedules).
- One hundred eighty (180) instances where the incorrect kWh per kW billing demand multiplier was utilized (GSL and GSL Out schedules).
- One hundred ninety-five (195) instances where the kW billing demand was not determined in accordance with subsection d of the rate schedules Codified Ordinances (GSL, GSD, GSL Special and GSL Out schedules).
- Four (4) instances where the kWh consumption was not reduced by 3% in accordance with Codified Ordinance §933.05 (GSL Special schedule).
- One (1) instance where the PCF charge was not included on the customer's bill (SCS schedule).
- Seven (7) instances where the excise tax was calculated incorrectly for customers outside City limits (GSS Out schedule).

- \* The observations identified in the various rate schedules included here can be applied to the same account in some instances. The total number of customer accounts included in the observations is 203.

Recommendation:

IAD recommends that a review of the rate schedules contained in Innoprise be reviewed and updated when applicable. Additionally, IAD recommends that the cause of these errors be identified and controls be added to ensure that the errors do not continue to occur. This will help to ensure that the customers are billed correctly and in accordance with Codified Ordinances.

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7. Observation:

Upon reconciliation of the electric portion of the recalculated bill to the customer's billing statement in Innoprise, IAD noted nineteen (19) of seven hundred forty-nine (749) instances, or 3%, where the 2015 customer charge was used in lieu of the 2016 charge (EcoSmart schedule).

Recommendation:

IAD recommends that a review of the rate schedules contained in Innoprise be reviewed and updated when applicable. Additionally, IAD recommends that the cause of this error be identified and controls be added to ensure that the error does not continue to occur. This will help to ensure that the customers are billed correctly and in accordance with Codified Ordinances.