City of Ocala

OFFICE OF THE INTERNAL CITY AUDITOR
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To: The Honorable Suzy Heinbockel, President of the Council
The Honorable Mary Sue Rich, President Pro Tem
The Honorable Daniel Owen
The Honorable John McLeod
The Honorable R. Kent Guinn, Mayor
Matthew Brower, City Manager

Date: March 5, 2012

Re: External Audit Assistance – Utility Billing

Internal Audit assisted Purvis Gray and Company, LLP, with Utility Billing audit procedures for the Fiscal Year 2011 Financial Statement Audit. The objective was to determine if customers were appropriately charged for services. The City provides electric, water, sewer, storm water, solid waste and fire services to residents and businesses within the city limits, as well as electric, water, and/or sewer to properties outside the city limits that are within the City's service delivery territory. Utility Services billed approximately $200.1 million during the fiscal year.

We selected 40 utility bills for testing. We reviewed the City's Code of Ordinances Chapter 70 and related resolutions to determine the applicable rates and fees for each type of service available based upon the property's location. Charges were recalculated based upon the authorized rates and fees in effect at the time of service. Based upon our procedures, we conclude that customers are appropriately billed for services provided.

During fiscal year 2011, the City began offering *"Pay As You Go"*, a voluntary program allowing customers to take control of payments for municipal services by depositing money into an account prior to using the services. Charges for services are deducted from the account on a daily basis. Participating customers avoid deposits, late fees, and disconnect/reconnect fees. We encourage management to review the City's Code of Ordinances Chapter 70, Article VII, Utility Billing and current billing office procedures. The *"Pay As You Go"* program provides opportunities to address late payment and delinquent collection charges which could provide benefit to both customers and the City.

We appreciate the assistance provided by Utility Services, especially Barbara Carnival, Business Application Analyst. We will begin quarterly utility billing testing by April 2012 and look forward to working with management to further develop internal control documentation over the process.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Jeanne Covington

Jeanne Covington, Internal Auditor

c: John Lege, Chief Financial Officer
Larry Novak, Assistant City Manager, Utility Services
Terry Austin, Director, Utility Services, Customer Service