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To: The Honorable Mary Sue Rich, President of the Council
The Honorable John McLeod, President Pro Tem
The Honorable Suzy Heinbockel
The Honorable Jay Musleh
The Honorable Daniel Owen
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: December 26, 2012

Re: External Audit Assistance – Utility Billing

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year Ending September 30, 2012. We have completed procedures for Utility Billing. The objective was to determine if utility 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 $209.7 million during the fiscal year.

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

Utility Services is converting its utility billing software from PeopleSoft to Cogsdale during FY 2013. Internal Audit will continue to participate in the conversion process, which will include validating the billing calculation prior to implementation of the new system. During the implementation process, we are documenting management's internal controls over the utility billing process for the FY 2013 financial audit. We will continue to perform quarterly billing testing for FY 2013.

We appreciate the assistance provided by Utility Services personnel, especially Barbara Carnival, Business Application Analyst.

*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 City Auditor

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