

**AUDIT of OUC'S BILLING of  
ORANGE COUNTY  
WASTEWATER CUSTOMERS**

**Report by the  
Office of County Comptroller**

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**Report No. 361  
August 2005**

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August 15, 2005

Richard T. Crotty, County Mayor  
And  
Board of County Commissioners

We have conducted an audit of the Orlando Utilities Commission's (OUC) billing of Orange County wastewater customers. The audit included a review of OUC's billing records to ensure that the County received payment for wastewater services it provided. Customer accounts were examined for August 2003 and January 2004 transactions. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Orange County Utilities Department Director and are incorporated herein.

We appreciate the cooperation of the personnel of the Orange County Utilities Department during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
David Heath, Deputy County Administrator  
Michael Chandler, Utilities Department Director

# EXECUTIVE SUMMARY

## Executive Summary

We have conducted an audit of the Orlando Utilities Commission's (OUC) billing of Orange County wastewater customers. The audit included a review of OUC's billing records to gain assurance that the County received payment for wastewater services it provided. Customer accounts were examined for transactions during August 2003 and January 2004. The objectives of the audit were to obtain evidence that County wastewater service customers that should be billed by OUC were appropriately and accurately billed and to evaluate the completeness of this portion of the County's wastewater customer roster.

The County provides wastewater services to certain customers that receive water service from OUC. As a convenience to these customers, OUC charges for both services on one bill. Each month, after payments are received, OUC sends the sewer portion of customer remittances to the Orange County Utilities Customer Service Division (County) with a report of customer payments that comprise the amount. To ensure these customers are appropriately billed by OUC, the County is responsible for furnishing (in writing) to OUC the names and addresses of customers for whom wastewater charges are to be collected. These customers are coded in the County's utilities billing system as "Cycle 5" wastewater customers.

Based on the results of the work performed, we found that the County's Cycle 5 wastewater service customers were not appropriately billed. We also found, the County's Cycle 5 wastewater customer roster was not accurate.

During the audit, we noted the County was not receiving revenue from all of its Cycle 5 wastewater customers. At least 527 accounts, identified in the County's records as a Cycle 5 wastewater customer were not billed by OUC. We noted an additional 86 accounts where various records indicated the accounts should have been billed but were not. In January 2004, the County received an average wastewater service payment of \$35.04 and \$229.70 from residential and commercial customers, respectively. Applying these average payments to the unbilled accounts, an additional \$2,095,544 could have been collected.

The Cycle 5 Customer Report, of the County's database of wastewater customers in OUC water service areas, has numerous discrepancies. We were unable to trace 1,039 addresses recorded in the Cycle 5 Customer Report to a corresponding customer account on OUC's billing system. The majority of the addresses could not be located in the Orange County Property Appraiser's property records. Discrepancies in the database hinder management's ability to ascertain what addresses correspond to valid accounts subject to monthly service charges.

Management concurred with all of the recommendations made in the report and corrective action is either planned or underway.

# ACTION PLAN

**AUDIT OF ORLANDO UTILITIES COMMISSION'S BILLING OF ORANGE COUNTY WASTEWATER CUSTOMERS  
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the County takes appropriate steps to ensure all customers are billed for wastewater services provided. Also, as part of the new utility billing system, we encourage a function to compare the Cycle 5 database to wastewater billings be implemented, or alternative billing methods be established. Management would then be able to identify potentially unbilled customers.	✓			✓	
2.	We recommend that the County enhances the accuracy of the Cycle 5 customer database. Addresses that do not correspond to an account should be removed. If there are individuals at the addresses that were located in property records, they should be billed for any County utility services received.	✓			✓	

# INTRODUCTION



## **Background**

On May 26, 1959 the Florida Legislature passed Chapter 59-1645, authorizing the Board of County Commissioners to designate the Orlando Utilities Commission (OUC) as its collection agent for wastewater services provided by Orange County to OUC water customers. Wastewater services are provided to residential and commercial customers in areas where both entities have utility infrastructures. As a convenience to the more than 35,000 customers who live in these areas, OUC charges for both services on one bill. Each month, after payments are received, OUC sends the sewer portion of customer remittances to the Orange County Utilities Customer Service Division (County) with a report of customer payments that comprise the amount.

The County and OUC signed a services agreement on September 2, 1975, designating OUC as the County's agent. Per the agreement, the County is responsible for furnishing (in writing) to OUC the names and addresses of customers for whom wastewater charges are to be collected. The County determines the identity of these individuals from new construction certificate of occupancy reports obtained by the County's Building Department and local municipalities. Each customer is coded in the County's billing records with the designation Cycle 5, Route 996E.

Payments received from OUC were approximately \$27 million and \$28 million in fiscal years 2003 and 2004, respectively. As a percentage of total utility service revenue the payments comprised 26 percent in 2003 and 25 percent in 2004.

## **Scope, Objectives, and Methodology**

The audit included a review of OUC's billing records to gain assurance that the County received payment for wastewater services it provided. Customer accounts were examined for August 2003 and January 2004 transactions. The objectives of the audit were:

1. To obtain evidence that County wastewater service customers that should have been reported to OUC by the County were appropriately and accurately billed; and,

2. To evaluate the completeness of the County's Cycle 5 wastewater customer roster.

To obtain evidence that County wastewater service customers reported to OUC were appropriately and accurately billed, we compared the County's database of wastewater customers in OUC water service areas to OUC's reports of customer payments for August 2003 and January 2004. For addresses that were on the County's record but not on OUC's billing reports, we determined the customer's billing status, other utility services received, and parcel city coding in the County and OUC billing systems and the Orange County Property Appraiser's records.

We reviewed the January 2004 OUC billing report and calculated average residential and commercial customer payments. We applied the calculations to exception account histories to determine the amount of past billings that the County could have received.

To evaluate the completeness of the County's Cycle 5 wastewater customer roster, we investigated breaks in street addresses on the County's underlying database. Using service address tables in the County's utility billing system, we determined the house numbers serviced by the County on each street. We compared house numbers on the tables to gaps in street addresses from the aforementioned database in order to identify wastewater service addresses that had not been reported to OUC.

## **Overall Evaluation**

Based on the results of the work performed, we found that a significant number of County wastewater service customers that should have been billed by OUC were not appropriately billed by OUC. We also found the County's Cycle 5 wastewater customer roster was not accurate. Improvements are needed as noted herein.

# RECOMMENDATIONS FOR IMPROVEMENT



**1. The County Should Take Appropriate Steps to Ensure All Customers are Billed for Wastewater Services Provided**

During the audit, we noted the County was not receiving revenue from all of its wastewater customers that should have been billed by OUC. More than 35,000 residential and commercial addresses are located in areas of Orange County that receive wastewater services from the County and water services from OUC. Acting as the County's collection agent, OUC is asked to bill for both services and forward the sewer portion of customer remittances to the County. During our review, we noted at least 527 accounts, identified in the County's records as an account that should have been billed by OUC (and monies forwarded to the County), that were not billed by OUC. We noted an additional 86 accounts where various records indicated the accounts should have been billed but were not. In January 2004, the County received an average wastewater service payment of \$35.04 and \$229.70 from residential and commercial customers, respectively. An analysis to calculate the total revenue that could have been collected from these accounts follows:

CATEGORY	NUMBER OF ACCOUNTS	ESTIMATED TOTAL AMOUNT OF PAST SEWER CHARGES*
County Records Identify Account as Subject to Billing by OUC	527	\$1,373,617
County Records Indicate Account as Subject to Billing by OUC	86	\$721,927
<b>TOTALS</b>	<b>613</b>	<b>\$2,095,544</b>

\* - Amount calculated based on current or most recent account holder history at January 2004 and average monthly billing amounts (\$35.04 and \$229.70)

Per the service agreement, the County is responsible for furnishing OUC with the names and addresses of its wastewater customers. We were unable to conclusively

determine whether the County notified OUC of the customers' wastewater service or, if OUC was informed, but failed to post the service to their system so that the customers would be billed. The method currently used by the County to notify OUC has existed for several years. However, the parcel histories of some of the account exceptions extend for decades and the means by which notification was made twenty or more years ago is indeterminable. The County did not have a means of tracking its entire Cycle 5 customer database to ensure that all addresses forwarded to OUC were appropriately billed.

Florida Administrative Code 25-30.350, "Water and Wastewater Utility Rules – Backbilling" limits the period that a utility can back-bill a customer to twelve months when the undercharge is the utility's error. The County should review the errors and determine if some of the accounts should be back-billed for services received. For the 527 accounts, we estimate that \$308,000 of revenue could be due the County for the period, March 1, 2004 to March 1, 2005.

**We Recommend** the County takes appropriate steps to ensure all customers are billed for wastewater services provided. Also, as part of the new utility billing system, we encourage a function to compare the Cycle 5 database to wastewater billings be implemented, or alternative billing methods be established. Management would then be able to identify potentially unbilled customers.

**Management's Response:**

Concur. The Utilities Department has implemented the following steps to ensure all customers are billed for wastewater services provided:

1. Contracted with Water Company of America (WCA), a company whose focus is recovering unbilled and mis-billed utility services. WCA is in the process of a full review/comparison of our billing database and services with OUC billing records.

2. Upon receipt of information from WCA, Customer Service Division staff members update the Customer Utility Billing System (CUBS) and issue back-bills. In addition, OUC is notified to add or modify billing.
3. We have established procedures to ensure greater accuracy in the future, such as regular meetings with OUC billing management, and follow-up on accounts sent to them for correction.
4. Several enhancements are underway as a part of our new billing system (People Soft ERM) that will be in place in the fall of 2006. The implementation (CIS) team is working on a 1:1 match of our current database with County wastewater accounts billed by OUC.
5. A meeting is scheduled in the near future between OUC and County Utilities director-level staff to discuss future billing plans for our mutual customers. We have learned that OUC will be using the same billing system that we are moving to, so sharing information should be more efficient for both parties.

**2. The County Should Enhance the Accuracy of the Wastewater Customer Database**

The Cycle 5 Customer Report, the County's database of wastewater customers in OUC water service areas, has numerous discrepancies. We were unable to trace 1,039 addresses recorded in the Cycle 5 Customer Report to a corresponding customer account on OUC's billing system. As can be seen in the chart below, the majority of the addresses could not be located in Orange County Property Appraiser's property records. Categories of discrepancies and the number of occurrences noted for each appear in the table on the following page.

**RECOMMENDATIONS  
FOR IMPROVEMENT**



CATEGORY DESCRIPTION	NUMBER OF OCCURRENCES
Address Not Located On Property Appraiser Website	724
Address Not Serviced By Orange County	129
Address Found On Property Appraiser Website And Coded As Unincorporated Orange County	114
Address Identified As An Empty Lot On Property Appraiser Website	33
Addresses Coded As City Of Orlando On Property Appraiser Website	29
Other – No Current Certificate Of Occupancy, Etc.	10
<b>TOTAL OCCURRENCES</b>	<b>1039</b>

A number of factors may explain the inability to trace these addresses to an account. Addresses that were part of construction projects never completed may have inadvertently been posted to the report. In other cases, demolished structures may not have been removed from the database. Finally, house numbers today are assigned as part of Orange County's plans coordination process; however, the method, and accuracy thereof, used decades ago to do the same is indeterminable. The multitude of possibilities and the extended passage of time preclude us from determining the specific reason for the discrepancies.

Discrepancies in the database hinder management's ability to ascertain what addresses correspond to valid accounts subject to monthly service charges.

**We Recommend** that the County enhances the accuracy of the Cycle 5 customer database. Addresses that do not correspond to an account should be removed. If there are individuals at the addresses that were located in property records, they should be billed for any County utility services received.

**Management's Response:**

Concur. The Utilities Department has implemented the following to enhance the accuracy of the Cycle 5 customer database:

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## RECOMMENDATIONS FOR IMPROVEMENT



Audit of Orlando Utilities  
Commission's Billing of Orange  
County Wastewater Customers

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1. We are now reviewing the comparison spreadsheets provided by the Comptroller's Office and updating our billing system as needed. Most accounts identified by the Comptroller for billing were found by WCA and billed. Investigation is continuing for the balance of the items.
2. As stated in (4) above, our CIS team is working on a 1:1 match between our database and our accounts in the OUC system for conversion to our new billing system.