

**Water and Wastewater Rates and Fees Follow-Up  
Audit**

**May 2017**

Lori Brooks, City Auditor  
Susan Edwards, Assistant City Auditor  
Abraham Gandarilla, Staff Auditor



May 8, 2017

Honorable Mayor and Members of the City Council:

The City Auditor's Office has completed the Water and Wastewater Rates and Fees Follow-Up Audit. The audit objective was to determine the implementation status of prior audit recommendations.

Audit follow-up procedures indicate management has addressed all of the prior audit recommendations.

We would like to thank the Water Utilities Department staff for their assistance and cooperation during the audit.

*Lori Brooks*

Lori Brooks, CPA, CIA, CGAP, CRMA  
City Auditor

c: Trey Yelverton, City Manager  
Theron Bowman, Deputy City Manager  
Jim Parajon, Deputy City Manager  
Gilbert Perales, Deputy City Manager  
Buzz Pishkur, Director of Water Utilities  
Medria Browhow, Financial Administrator

# Water and Wastewater Rates and Fees Follow-Up Audit

## Table of Contents

	<u>Page</u>
Background.....	2
Audit Scope and Methodology .....	2
Status of Prior Audit Recommendations Matrix.....	3

## ***Background***

The City Auditor's Office conducted a follow-up audit of the Water and Wastewater Rates and Fees Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate, evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with all six recommendations in the initial audit report. Audit follow-up procedures indicate management has addressed all recommendations.

## ***Audit Scope and Methodology***

The scope of the project was limited to follow up on management's implementation of previous audit recommendations. The following methodology was used in completing the audit:

- Interviewed Arlington Water Utilities management and staff
- Reviewed relevant supporting documentation provided by management
- Recalculated fees from the Fee for Service Models provided by management

**Status of Prior Audit Recommendations**

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
<p>1. The City Auditor’s Office recommends the Director of Water Utilities ensure staff utilizes applicable AWWA performance measures and benchmarks related to the delivery of water and wastewater services with the goal of identifying inefficiencies in operations and processes.</p>	<p>Concur</p>	<p>Arlington Water Utilities changed the departmental metrics significantly for FY 14. AWI is continuing to evaluate its operations to develop appropriate metrics. We will begin benchmarking against ourselves in 2015 based on historical metrics. AWU developed a performance scorecard in FY 14 which includes items such as O&amp;M costs per 100 miles of pipe and per account.</p>	<p>Medria Browhow</p>	<p>February 2015</p>	<p>Implemented.  Arlington Water Utilities has updated its performance scorecard to reflect results from FY 2012-2014. AWU is currently tracking performance metrics.</p>
<p>2. The City Auditor’s office recommends the Director of Water Utilities ensure all indirect fees incurred are monitored and evaluated periodically, to ensure justification and appropriateness.</p>	<p>Concur</p>	<p>Arlington Water Utilities evaluates indirect fees annually as part of the budget process to ensure appropriateness.</p>	<p>Buzz Pishkur</p>	<p>Ongoing</p>	<p>Implemented.  Arlington Water Utilities evaluates on an annual basis during the budget process all indirect fees assessed to the department.</p>
<p>3. The City Auditor’s Office recommends the Director of Water Utilities ensure that staff periodically compares the actual cost to provide services on an aggregate basis to revenue received.</p>	<p>Concur</p>	<p>Arlington Water Utilities (AWU) evaluates fees annually, and for FY 15, several fees were changed to recover actual costs. AWU will use data developed from the response to item 4 to adjust any fees as necessary.</p>	<p>Medria Browhow</p>	<p>December 2014</p>	<p>Implemented.  Arlington Water Utilities completed a full assessment of all fees charged to customers. A statistical sample of each fee calculated and the sample was tracked from begin to end, monitoring labor, equipment, vehicle, and overhead costs.</p>
<p>4. The City Auditor’s Office recommends the Director of Water Utilities instruct staff to utilize existing and future work order and time tracking systems to specifically segregate direct labor, material and equipment costs related to service charges.</p>	<p>Concur</p>	<p>Arlington Water Utilities will develop pricing for each task for which a fee is charged. The pricing will be based on a sampling of each task performed in FY 15.</p>	<p>Medria Browhow</p>	<p>December 2014</p>	<p>Implemented.  Arlington Water Utilities has revised and updated the pricing structure for each service provided based upon direct and indirect labor, materials, and equipment costs.</p>

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
5. The City Auditor’s Office recommends the Director of Water Utilities ensure that staff identifies opportunities to more closely allocate indirect costs to associated direct costs.	Concur	Arlington Water Utilities will evaluate all fees for FY 15 to ensure appropriate inclusion of all associated indirect costs, and then update.	Medria Browhow	December 2014	Implemented.  Arlington Water Utilities has revised the calculation methodology utilized to calculate the indirect charges applied to each service fee.
6. The City Auditor’s Office recommends the Director of Water Utilities ensure that staff re-evaluates service fees after any adjustments are made for the allocation of indirect costs, and propose fee adjustments where necessary.	Concur	Arlington Water Utilities will evaluate all fees and update as appropriate.	Buzz Pishkur	January 2015	Implemented.  Arlington Water Utilities has evaluated all service fees and updated.