

***ALBANY WATER BOARD
ALBANY MUNICIPAL WATER FINANCE AUTHORITY
INTERNAL CONTROL POLICY - BILLING and CUSTOMER SERVICE (includes
IT controls)***

This policy is intended for use by the Albany Water Department, and in no way replaces or amends any other billing and customer service policy currently in effect at the City of Albany.

AREAS OF RISK:

1. Payments can go unprocessed and unidentified for a period of time if cash accounts are not reconciled timely.
2. Payments could get posted to the wrong account and go undetected for a period of time.
3. Charges for meter and materials & labor, etc. will not get charged to the account or collected from the customer.
4. Collusion could occur between employees and customers to reduce billings through the adjustment process or post erroneous payments to account.
5. Billing errors could occur during processing.
6. Users could not be billed at proper rates, or include proper charges.
7. Potential for errors/omissions on Annual Rollover to the City.

PROCESSES TO PREVENT RISK:

Payment postings are verified against actual bank deposits on a weekly basis by the CFO or his/her designee. Due to the increase of ACH payments, it is necessary to reconcile cash on a weekly basis to ensure timely postings of customer accounts. All posted payments processed in City Hall are reviewed by the Computer Systems Coordinator or his/her designee for misapplied payments. Corrections are made as errors are located, and a notation of each affected account is made in the description section of the transaction. Additionally, this information is sent via email to the Accounting Assistant for reconciliation purposes.

Checks received for meters, etc. are processed and deposited in a locked box under dual control overnight until processed by the Computer Systems Coordinator or his/her designee. One key is located in the customer service area and the second key is held by the billing department. Checks being held for hydrant meter deposits are kept in the locked box under dual control until they are either deposited and applied to an account or returned. A Materials and Labor worksheet is completed for these transactions, which lists the materials used or service provided and payment information. All checks received

are entered on a Cash Log Worksheet, located on the safe. The Computer Systems Coordinator bills accounts for hydrant meter usage.

Duties are appropriately segregated to diminish the risk of collusion. Control of computer access and security levels is handled by the Computer Systems Coordinator, in accordance with these and other internal control procedures. A list of security level access is provided to the Commissioner or Assistant Commissioner at least annually to ensure compliance with other internal control procedures.

Customer service handles inquiries and complaints and processes requests for adjustments and corrections. Customer service staff does not have the ability to post financial transactions to customer accounts. This function is performed by the Computer Systems Coordinator or his/her designee. Refund requests are generated by customer service and are processed according to regular purchasing procedures. The voucher is completed by the Customer Service Supervisor and is submitted to the Financial Analyst for payment. Additionally, any adjustments over \$500 (increase or decrease) are presented to the CFO to review and approve before being processed.

Audits of processed and closed customer service cases are completed by the CFO or his/her designee on a monthly basis. The purpose of the audit is to identify and correct errors. A minimum sample of 30 records will be derived from an adjustments report created from the billing system and closed case files. The sample will be reviewed for proper processing, proper approvals and any other errors or omissions. Discrepancies are reported in writing to the Computer Systems Coordinator for correction. A report of the audit is provided to the Commissioner, Assistant Commissioner, and Computer Systems Coordinator.

The Computer Systems Coordinator or his/her designee creates water bills based on readings collected by metering personnel. Bills are generated by the tenth of each month. As sound cash management and to minimize a potential adverse impact on the Water Board's cash flows and bond rating, the Computer Systems Coordinator notifies the CFO in writing prior to the tenth if bills will be processed late. Once bills are created, a summary of billing is provided to the CFO for comparison/review purposes. Billings are re-created from consumption figures using excel by the CFO or his/her designee. These are compared to the billing summary provided to the CFO by the Computer Systems Coordinator. The CFO returns a list of variances to the Computer Systems Coordinator for investigation. The Computer Systems Coordinator responds to the CFO in writing within thirty days and begins work on potential problems.

The Billing Department generates approximately 87,000 bills per year. Management addresses any potential billing errors by performing the following:

1. Large user accounts are read manually two times per year, in April and October. The Computer Systems Coordinator generates work orders on the large user accounts requesting a hand reading and inspection to be performed by metering personnel. Readings are compared with the most recent remote read. The CFO is notified of any potential problems that the Computer Systems Coordinator will need to address. An audit of large user accounts will be performed after the

- October reading and billing. This will include a review of readings vs. billings, billing rates, and potential new large users. Any questions or discrepancies will be discussed with the Computer Systems Coordinator.
2. Audits on residential user accounts will be performed on a quarterly basis. This will include a review of readings vs. billings, billing rates, and account data verification (i.e. type of service, meter accuracy, etc.). Since vacant billings and senior discount adjustments are done once a year, they will be incorporated into the 3rd quarterly audit. Any questions or discrepancies will be discussed with the Computer Systems Coordinator.

The Commissioner, Assistant Commissioner and Computer Systems Coordinator will receive a summary of the audit once they are completed.

The Annual Rollover of unpaid water bills to the City takes place in November. Since errors or omissions can occur during the rollover, management has implemented the following procedures:

1. Aging reports are run immediately before and after the roll each year.
2. The CFO reconciles the post process against aging reports.
3. Discrepancies are reported in writing to the Computer Systems Coordinator for investigation and correction prior to remitting the file to the City.
4. The amounts rolled to the City are verified for accuracy with the City IT department and Deputy Treasurer prior to applying to tax bills by the City.
5. The IT department verifies the amount in writing to the CFO and Computer Systems Coordinator.

Internal control policies and procedures are reviewed and updated annually in accordance with the Public Authorities Law.

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