



INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

January 23, 2020

City of Edmond  
Edmond Oklahoma

We have performed the procedures enumerated below, which were agreed to by the City of Edmond, Oklahoma ("the City") solely to assist the City in determining the reasonableness of selected water billings during the summer months of 2019. The City of Edmond's management is responsible for the accuracy of water billings. The sufficiency of these procedures is solely the responsibility of the City of Edmond. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Select a sample using the following methodology:
  - a. Test the one commercial account that complained to the City.  
  
Finding – Three commercial customers with complaints were selected. An additional commercial customer was added after finding it was included in the residential sample in procedure 1.b.
  - b. Test 50% of the residential accounts for which the City has received a complaint using a simple random methodology. Estimated 100 customers.  
  
Finding – 43 Residential customers with complaints were selected, representing 50% of the complainants. One was later identified as being a commercial customer.
  - c. Test a statistically valid sample of the remaining population of residential customers using a 95% confidence level and simple random methodology. Estimated 379 customers.  
  
Finding – 379 of the remaining customers were selected.
2. For these 480 customers, complete individual reasonableness evaluations by identifying usage increase over prior year, change in rates, length of billing cycle, and average temperatures and rainfall for the spring and summer seasons of 2019 and 2018.

**Sample a – Commercial Customers with complaints**

Findings – We reviewed the consumption amounts for May through September of 2018 and 2019. Based on our review, all the commercial clients with complaints failed the reasonableness test. To gain a better understanding of the City's follow up process with customer complaints we reviewed the documentation for the commercial customers' complaints. The following was concluded:

<u>Result of Complaint</u>	<u>Customers</u>
Bill Adjusted	2
Resolved	2

The resolved complaints include one customer who mistakenly complained about the water bill instead of the electric. The other resolved customer's meter was tested and registered accurately. A leak was not detected for this customer, and the consumption has remained at normal levels.

**Sample b – Residential Customers with complaints**

Findings – We reviewed the documentation for twelve residential customers within our sample that were the most extreme examples.

<u>Result of Complaint</u>	<u>Customers</u>
Bill Adjusted	5
Usage Reasonable	7

**Sample c – Residential Customers without complaints**

Findings – We selected 12 customers who had more than a 12-month history at their address and with consumption that increased over 60% for the period of May through September. The customers were then evaluated further to see which months specifically increased from the prior year. Some customers were evaluated for multiple months increasing. Between the 12 customers 29 months were evaluated to see if the system correctly identified the consumption for the customer as exceeding their normal level. All consumption amounts above the threshold were correctly identified.

3. For any tested customers who do not pass the reasonableness test, recalculate bills for the 2019 spring and summer season and consider accuracy of meter readings by an independent reading at current date.

**Sample a – Commercial Customers with complaints**

Finding –The bills were calculated correctly based on their respective consumption amount recorded.

**Sample b – Residential Customers with complaints**

Findings – We recalculated the customers' bills using the water calculator provided and each customer's respective consumption amount. We recalculated 210 (42 customers multiplied by 5 billing cycles) billing cycles, no billing discrepancies were identified.

**Sample c – Remaining Residential Customers**

Findings –We recalculated 1,895 (379 customers multiplied by 5 billing cycles) billing cycles and identified 2 bills with billing errors. The two customers were previously identified by the city and their bills were adjusted accordingly.

4. Review the City's process for handling complaints regarding water bills and provide feedback for improvement in customer service and efficiency where applicable.

Findings – We found that while the City has various procedures and call scripts, there is not a current, approved, comprehensive policy for dealing with customer complaints, including how to respond to an elevated number of complaints and when to bring the matter to the attention of the highest levels of management. In addition, there is no policy that requires follow-up on

complaints received outside of a phone call to the City's utility offices. (For example, a requirement to investigate complaints brought directly to Council.) Further, there is no protocol for reviewing bills in a geographical area and/or City-wide when a high number of complaints are received.

**Recommendations:**

1. We recommend a comprehensive policy that specifies when complaints are elevated and to what levels of management. The policy should also address how complaints are handled that come to the City through other avenues, when meters are tested, when customers are contacted and by whom. When complaint levels increase in the summertime an appropriately informed employee from the City should attend the council meeting to help with any questions from customers regarding general billing and consumption.
2. When a customer has consumption that is highly unusual for them an "exception" is created in the City's system. The City has four optional ways to calculate an exception. Last three months average, last three years same month, same season last year, and last bill. The system identifies an exception by comparing the customers' current month consumption with the exception formula. If the difference is above the threshold set by USR supervisor, the system will flag the customer and the customer will go on a reread list to verify their consumption is accurate. The City currently uses the last three months average to calculate exceptions. We recommend using the last three years same month formula. The current formula for the last three years same month is to calculate the average for the last 365 days. We recommend updating the formula to calculate the actual average of the last three years same month. For customers that do not have the consumption history with the City, using the prior three months is adequate.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the reasonableness of water billings. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Edmond and is not intended to be and should not be used by anyone other than those specified parties.

*Arlidge & Associates, P.C.*

January 23, 2020