



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 8, 2015

Jeremy Jensen, Mayor
City of Grand Island
P.O. Box 1968
Grand Island, NE 68802-1968

Robert Sivick, City Attorney
City of Grand Island
P.O. Box 1968
Grand Island, NE 68802-1968

Dear Sirs:

As you know, the Nebraska Auditor of Public Accounts (APA) received a concern regarding the water billing practices in the City of Grand Island (City). The APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain information regarding the water billing practices.

Based upon the outcome of this preliminary planning work, the APA has determined that a separate financial audit or attestation of the City is unnecessary at this time. However, during the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters within the City, that are presented below. The following comment and recommendation, which has been discussed with management, is intended to improve internal controls or result in other operational efficiencies.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified.

Draft copies of this letter were furnished to the City to provide it with an opportunity to review and respond to the comments and recommendations herein. The City's responses are included below.

Water Billing Practices

The City's current water billing practice of using estimated meter readings does not appear to be authorized by either State statute or City ordinance.

Neb. Rev. Stat. § 16-681 (Reissue 2012) describes the utility services, rates, and regulations of any city owning its own utilities:

Such city owning, operating or maintaining its own gas, water, power, light or heat system, shall furnish any person applying therefor, along the line of its pipes, mains, wires or other conduits, subject to reasonable rules and regulations, with gas, water, power, light or heat. It shall regulate and fix the rental or rate for gas, water, power, light or heat, and regulate and fix the charges for water meters, power meters, gas meters, light meters or heat meters or other device or means necessary for determining the consumption of gas, water, power, light or heat. It shall require water meters, gas meters, light meters, power meters, or heat meters to be used, or other

device or means necessary for determining the consumption of gas, water, power, light or heat.
(Emphasis added.)

Furthermore, § 35-28 of the Grand Island's City Code (Code) contains the following:

Bills for water furnished shall be rendered by the Director of Utilities Operations monthly or quarterly, and shall designate the number of cubic feet of water registered at the date of the bill and shall subtract therefrom the number of cubic feet of water registered at the date of last settlement, and compute the amount due for the difference in dollars and cents, in accordance with the rates fixed by this article or by resolution of the city council. (Emphasis added.)

Both State statute and the Code indicate that water billings should be based upon consumption amounts determined by a meter reading.

According to § 35-30 of the Code, moreover, City water rates are to be based upon the number of cubic feet used per month. A monthly minimum of 500 cubic feet is established. Additionally, a monthly fee is charged for the customer's water meter size supplying water to the property.

Per the City's Utilities Director, the City does not read all water meters every month. Based upon available resources, the City attempts to read each meter quarterly. Apparently, some of the City's water meters are not readable unless direct access to the actual meter is granted by the property owner. If, for any reason, such as direct access to the meter is not possible, the City leaves a card at the property, requesting the customer to read and report the meter numbers. During months when a meter is not read by either the City or the customer, the City's policy is to bill the minimum estimated amount of 500 cubic feet per month. According to the City's Utilities Director, this policy has been in place since at least the 1970s.

After a period of 12 to 15 months of no actual meter readings, the City estimates the water consumption at a significantly higher rate. This is done to encourage customers to obtain an actual meter reading. Once an actual reading is obtained, the City adjusts the bills accordingly.

The following is an example of the monthly billings from October 2012 through December 2014 that one customer provided to the APA.

Billing date	Consumption (100 cubic feet)	Type of Reading	APA Notes
12/18/2014	3	Customer	
11/18/2014	5	Estimate	
10/17/2014	85	Estimate	The City later changed the estimate to 4.
9/18/2014	5	Estimate	
8/18/2014	5	Estimate	
7/18/2014	3	Customer	
6/18/2014	5	Estimate	
5/19/2014	5	Estimate	
4/18/2014	5	Estimate	
3/18/2014	5	Estimate	
2/18/2014	5	Estimate	
1/20/2014	16	Customer	

Billing date	Consumption (100 cubic feet)	Type of Reading	APA Notes
12/19/2013	5	Estimate	
11/19/2013	5	Estimate	
10/18/2013	85	Estimate	
9/19/2013	5	Estimate	
8/19/2013	5	Estimate	
7/18/2013	20	City	
6/18/2013	5	Estimate	
5/16/2013	5	Estimate	
4/17/2013	5	City	
3/19/2013	5	Estimate	
2/18/2013	5	Estimate	
1/18/2013	5	Estimate	
12/19/2012	5	Estimate	
11/16/2012	5	Estimate	
10/18/2012	85	Estimate	

The APA contacted the City Attorney on January 9, 2015, at the suggestion of the City Utilities Director in response to our inquiries to him regarding the City's billing procedures. That same day, the City Attorney responded that he would provide us with a prompt response to our inquiry. On January 23, 2015, the APA contacted the attorney to determine when his response would be forthcoming. The City Attorney again responded that same day, apologizing for not responding sooner and claiming he would expedite the matter.

On February 17, 2015, the APA contacted the City attorney, who indicated that he was still working on the matter. Then, on March 10, 2015, the City Attorney contacted the APA to discuss potential changes he felt were necessary to the City's billing procedures. He indicated that the City could simply start shutting off the water for those who do not give them access to the meter, but felt this would cause too many problems. So, he feels it is best to put information regarding estimate in the City ordinances. At that time, the APA explained that this office cannot make the management decisions or policies and it was the Cities decision on how to correct the issue. The APA has not heard from the City Attorney since that date; however, the issues does not appear to have been addressed in the March board meetings to date.

The City's current water billing method of using estimated consumption amounts does not appear to be authorized by either State statute or the Code.

We recommend the City ensure its method of billing customers for water consumption complies with State statute and the Code by being based on actual meter readings.

City's Response: It is the City's intent in the near future revisions of Chapter 35 of the City Code be considered by the Council. Those revisions would codify the procedure and formula for estimating water usage when City officials lack access to water meters to determine exact usage.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the City to make comments and suggestions that we hope will be useful to the City.

This communication is intended solely for the information and use of the City and its management. It is not intended to be, and should not be, used by anyone other than the specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Mary Avery". The signature is fluid and elegant, with the first letters of the first and last names being capitalized and prominent.

Mary Avery
Special Audits and Finance Manager
Auditor of Public Accounts
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Lincoln, NE 68509
Phone 402-471-3686
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cc: Jack Zitterkopf, Hall County Attorney
Tim Luchsinger, Utilities Director