



December 31, 2024
AUDIT
REPORT NO. 24-07

Performance Audit of Water and Sewerage - Billing, Extensions, and Delinquent Accounts Practices

REPORT HIGHLIGHTS:	PAGE:
• Undercharges totaling approximately \$63, 831 annually	6
• Lack of definite disconnect timeline-over 70% of accounts were disconnected after 6 months of being delinquent	15
• We could not determine why some high balance delinquent accounts were not disconnected	16
• Customers not penalized for breaking payment agreements	25



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The Council
City of Shreveport

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December 31, 2024

Councilman Alan Jackson
Chairman, Shreveport City Council

Dear Councilman Jackson:

Subject: Audit No. 24-07 – Performance Audit of Water and Sewerage - Billing, Extensions, and Delinquent Accounts Practices

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward

Leanis L. Steward, CPA, CIA
City Internal Auditor

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EXECUTIVE SUMMARY

Performance Audit of Water and Sewerage - Billing, Extensions, and Delinquent Accounts Practices

Why We Did This Audit

We have completed an audit of the Water and Sewerage - Billing, Extensions, and Delinquent Accounts Practices. This audit was conducted at the request of the City Council. Our objectives were to determine: is the water and sewer billing process accurately reflecting customer usage, applying correct rates, and adhering to established policies; is there evidence of water consumption or usage recorded on accounts where meters have been locked, and if so, are the causes properly investigated and addressed; is the Shut-Off and Collection Policy for delinquent accounts being applied equitably and transparently; are extensions/payment agreements granted equitably and transparently; are there mechanisms in place to effectively track, analyze, and address customer feedback and complaints, and are performance metrics established and utilized to evaluate services.

What We Recommended:

- Establish a review process to correct billing errors, ensure accurate charges, and address documentation and classification issues
- Enhance monitoring of shut/locked meters with a consistent schedule and explore system alerts to notify staff of water use on locked accounts
- Implement a systematic process for identifying and following up on delinquent accounts to ensure timely collection of outstanding payments and/or disconnects
- Update Rules and Regulations
- Implement a process for effectively documenting and communicating reasons for denial of payment extensions and agreements
- Include messages on delinquent bills for customers
- Consistently use and revise the call scoring form, track response times and issues, and resolve survey tool problems to improve service quality

What We Found

The Water and Sewerage Department (W&S) provides clean water and treats wastewater for the city's residents and businesses. Our focus includes the Customer Service Division, whose mission is to manage the billing and collection of charges for the services provided. As of December 31, 2023, W&S billed 62,128 unique customers for water and 61,116 unique customers for sewer.

We found that internal controls could be improved, ranging from billing to collections to customer service. We found billing errors and inconsistencies in documentation and classification, leading to inaccurate charges.

Monitoring locked meters was inconsistent, with no systematic approach or alerts to identify water use on locked accounts.

There is no definite shut-off time period if payments are not posted by due date or no documented policy to send accounts to collections and no current agreement with the collection agency.

We also observed that Rules and Regulations do not address payment extensions. Some payment agreements remain active after defaulting.

Additionally, customer service processes scoring forms were not consistently completed, and problems with the survey tool hindered efforts to assess customer service satisfaction.

INDEX

Executive Summary	1
Index	2
Introduction	3
Scope and Methodology.....	4
Findings and Recommendations	5
Finding 1: Water Billing	5
Finding 2: Shut off/Locked Meters Consumption.....	11
Finding 3: Delinquent Accounts.....	13
Finding 4: Granting of Payment Extensions and Agreements	22
Finding 5: Payment Agreement Compliance	24
Finding 6: Customer Satisfaction Evaluation Tools	27
Appendix A: Findings Risk Ranking Criteria	30

Introduction

The Water and Sewerage Department (W&S) provides clean water and treats wastewater for the city's residents and businesses. Our focus includes the Customer Service Division, whose mission is to manage the billing and collection of charges for the services offered. The Customer Service Team provides day-to-day support, ensuring customers receive timely and accurate billing while collecting payments. The team also maintains customer water meters and addresses concerns about water pressure, water quality, and other miscellaneous water-related issues. An illustration detailing the array of general services completed by the W&S Customer Service Division is below:



Source: Auditor Generated-illustrates different customer service activities. Background image adapted from W&S.

This report contains six findings with six recommendations. [Appendix A](#) contains the risk descriptions for the recommendation risk levels throughout the report.

The objectives of this audit were to determine:

- Is the water and sewer billing process accurately reflecting customer usage, applying correct rates, and adhering to established policies?
- Is there evidence of water consumption or usage recorded on accounts where meters have been locked, and if so, are the causes properly investigated and addressed?
- Is the Shut-Off and Collection Policy for delinquent accounts being applied equitably and transparently?
- Are extensions/payment agreements granted equitably and transparently?
- Are there mechanisms in place to effectively track, analyze, and address customer feedback and complaints, and are performance metrics established and utilized to evaluate services?



Scope and Methodology

The scope of this audit was limited to the Shreveport Water & Sewer Department – Customer Service Division. The period reviewed was January 1, 2023, to June 30, 2024. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included, but were not limited to, the following:

- Interviewed management to enhance the understanding of the process,
- Reviewed City Ordinances pertaining to the Water and Sewer Department,
- Reviewed applicable documentation and performed test work on data,
- Reviewed Water and Sewer Utility Management System data,
- Randomly sampled accounts for review to determine if billing was accurate,
- Randomly sampled accounts for review to determine if bills were charged accurately based on inside versus outside rates,
- Randomly sampled accounts for review to determine if there was consumption after the meter was locked,
- Randomly sampled disconnected accounts to determine if a payment extension or agreement was granted prior to disconnect,
- Reviewed payment agreements for compliance,
- Reviewed delinquent accounts (over 90 days past due) with balances over \$2,000 to determine why they were not disconnected,
- Reviewed restored accounts for compliance with procedures for restoration of disconnected service,
- Considered all five internal control components (control environment, risk, monitoring, information and communication, control activities) of the Standards for Internal Control in the Federal Government. Internal controls are a process used by management to help an entity achieve its objectives.

The sample size was calculated using a sampling calculator and was selected based on the criteria of 95% confidence level and 5% error rate. The results cannot be projected to the entire population. Random sampling selection was used to improve the overall efficiency of the 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, conclusions, and recommendations based on our audit objectives.

The Internal Audit Office expresses appreciation to the management and personnel of the Water and Sewerage – Customer Service Division for their cooperation and assistance provided during the audit.



Objective: Is the water and sewer billing process accurately reflecting customer usage, applying correct rates, and adhering to established policies?

Finding 1: Water Billing

Section 94-164 (Water Charges) and **Section 94-165 (Sewerage Charges)** of the city ordinance detail how water and sewage charges are calculated for various customer types, including residential, commercial, industrial, contract, and nonmetered customers. These calculations consider several factors, such as rate differences for inside or outside city limits, customer categories, and Average Winter Consumption (AWC). Both sections provide comprehensive guidelines on tiered rates for water usage and sewerage calculation methods. The AWC calculation-based charges on the total water consumed and is applied to the sewage quantity charges. However, if the average water usage during November, December, January, and February is lower, charges are based on that lower average. This average excludes the highest and lowest usage months. When historical usage data is insufficient, the charge defaults to 6,000 gallons. **Section 94-166. – Fees** discuss the different types of fees that can be charged, such as a late fee, which is 5 percent of the original bill that is charged to an account for payment received after the delinquency date for metered residential customers.

<Auditor Note: Ordinance (**ARTICLE V. - BILLING AND COLLECTIONS**) was updated as of March 2024.>

We reviewed a sample of 384 water bill transactions from January 1, 2023, through June 2024 and identified the following:

AWC Calculation Errors:

- **Undercharges:** 39 out of 384 bills (10%) were undercharged, resulting in a total loss of **\$675**.
- **Overcharges:** 17 out of 384 bills (4%) were overcharged, leading to a total overpayment of **\$297**.

Late Fee Calculation Errors:

- 31 out of 384 bills (8%) had late fees not calculated directly from the prior bill. (e.g., instead of applying the late fee from the most recent bill, the system totaled late fees from two previous bills before applying them to the current bill.)

Sewer Charge Omissions:

- 2 bills omitted the sewer charge.

Meter Rate Misapplication:

- 1 bill applied an incorrect meter rate.



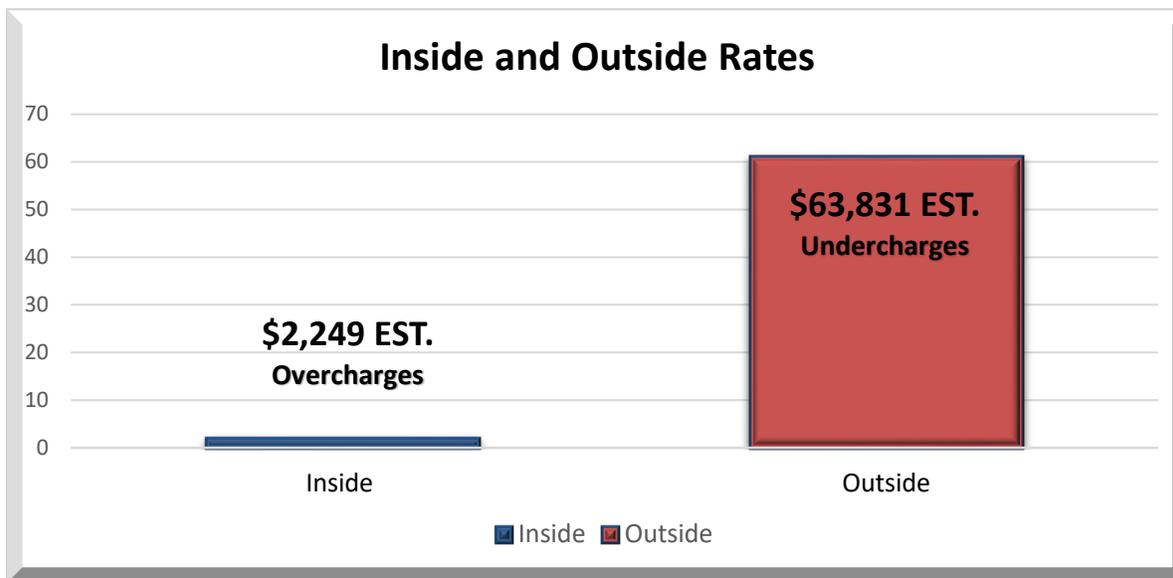
Additionally, for 98 out of 384 bills (25%), the meter image was not visible. See the images for an example:



Source: Images obtained from W&S Meter Reading Site.

Address Classification Issues: Inside vs. Outside City Limits

We also conducted a review to determine if addresses were accurately categorized as inside or outside city limits and 63 out of 384 bills (16%) had incorrect designations:



- 2 accounts, listed as 'Outside,' should have been 'Inside,' leading to overcharges totaling approximately **\$2,249**.
- 61 accounts, listed as 'Inside,' should have been 'Outside,' causing undercharges totaling approximately **\$63,831**.

These dollar amounts are based on the annual water and sewer usage of the 63 accounts identified. Misclassifications between 'Inside' and 'Outside' rates impact billing significantly due to rate differences, with 'Outside' accounts typically incurring higher charges. The overcharges and undercharges reflect discrepancies in the utility system's classification, which led to overpayments and revenue losses, respectively.



<Auditor Note: We also reviewed accounts from a previous audit “[Audit of The Accuracy of Inside-Outside Water and Sewer Charges](#)” to determine if the accounts were changed and found that some of the accounts remained unchanged. Nine addresses listed as inside are paying outside rates. Nine addresses listed as outside are paying inside rates.>

Additional Observation: Meter Size Classification Issue

Furthermore, as we reviewed accounts to determine if they were inside vs. outside, one account with a 12-inch meter was billed at the 10-inch meter rate. Currently, the city ordinance lacks explicit guidance on billing for meters over 10 inches, indicating a need for clarification on applicable rates for larger meters.

Recommendation: 1. Conduct a thorough review of AWC calculations and ensure accuracy in determining quantity charges. 2. Rectify late fee calculation errors by ensuring that late fees are calculated directly from the prior bill. 3. Contact the utility system vendor to verify sewer charges to prevent omissions on water bills 4. Correct meter rate misapplication and ensure accurate billing using the correct meter rate based on explicit guidance from the city ordinance. 5. Address documentation issues by adopting a policy requiring that clear meter images are captured and stored for all accounts. Where feasible, automate this process with digital imaging tools to minimize human error. 6. Verify address classifications as inside or outside city limits to prevent overcharges and undercharges and implement a system alert for newly added accounts to validate the address classification before initial billing. 7. Address the issue of meter size classification to ensure accurate billing for meters over 10 inches. Risk: High

Management Response:

Root Cause of the Audit Finding: Customer Service did not properly apply the average water consumption (AWC) pursuant to the ordinance.

The AWC is the amount we charge for sewer use during from May to April of the next year. The AWC is designed to prevent unnecessary sewer expenses from common summer water uses such as washing cars, watering lawns, and filling swimming pools. The AWC is calculated by averaging the water use for the months of November, December, January, and February. Prior to 2024, if a customer’s meter reading is not available for one of those four months (weather, no access, etc.), the ordinance defaulted the AWC to a 6. An example of an AWC calculation showing the effect of failure to read a meter is listed below.

	Customer 1 Water Use	Customer 2 Water Use
November	2	9
December	2	11
January	NR	13
February	1	NR
AWC	6	6



Ordinance 53 of 2019 changed the default to a 6. If a customer does not have water usage history for all of the months in the calculation (November, December, January and February), then the quantity charge for customers with three readings average monthly water usage shall be the average of the two lowest of the three actual readings. For customers with two or fewer actual readings during the four-month period, their average monthly water usage shall be based on either their metered water consumption or 5,000 gallons of consumption, whichever is less.

The Department uses a software program called UMBS to calculate the AWC. The AWC is calculated in April and applied to the May invoices. Due to severe weather conditions in December of 2023 during the 2023-2024 AWC calculation period, approximately 20% of customers had unread meters. Those customers' AWC automatically defaulted to a 6 for the year, distorting the true average winter consumption. Customer Service made the decision to use the previous year's AWC in an effort to more accurately represent the true AWC.

Although well intentioned, using the previous year's AWC is not allowed by ordinance. The AWC was recalculated to follow the ordinance, and the Water and Sewer Department refunded any overpayments caused by using the previous year's AWC.

Corrective Action: The staff was instructed as to the importance of always following the City's ordinances. Additional corrective actions taken by the Department are:

- Implemented additional quality control checks during the billing review process.
- Conduct on going staff training on accurate data entry and validation procedures.
- Enhance system algorithms to detect and flag discrepancies in AWC calculations for review before finalizing bills.

Discussion: It is also important to note that in the future, meters will automatically report the volume of water consumed and unread meters will no longer be an issue.

2. Late Fee Calculation Errors

The department **disagrees** that late fees were applied incorrectly. The department believes that all but one of the late charges were appropriately calculated pursuant to the existing ordinance.

Root Cause: For the one late fee that was applied incorrectly, the software calculating the late fees was unable to correctly apply the late charge due to the timing of a credit. One invoice had an overestimated credit applied the day the invoice was posted, which left a credit balance to pay this invoice.

Corrective Action: We are working with the billing vendor to fix the application of credits. Testing scenarios will be expanded to include edge cases to prevent "unusual" circumstance errors in the future.



3. Sewer Charge Omissions

Root Cause: The AWC calculation was incorrect, and the mistake was not caught by the Department's controls. The two invoices in question had an AWC of 0 and no sewer charges were billed as a result. The department runs multiple test scenarios prior to applying the AWC calculation, but the test scenarios failed to disclose the problem.

Corrective Action: We have instituted additional internal controls to monitor the AWC process. We are working with the system vendor to establish a system alert for missing charge categories during bill generation.

4. Meter Rate Misapplication

Root Cause: There is a lack of training for customer service staff; the lack of training contributed to customer service staff incorrectly updating the meter record. The misapplication of the meter rate occurred due to a manual error when updating the meter record. We are manually correcting the account to adjust for the rate code difference. Proper training is difficult due to employee turnover. In 2023 and 2024, the Customer Service division terminated 19 employees (3 full time and 16 temporary employees). In 2024, customer service employs 6 temporary employees and 8 full time employees. The department needs well-trained employees and with the staff turnover, it is difficult to train the employees sufficiently.

Corrective Action: Provide additional training to staff on the accurate input of all account information. Additionally, the department will regularly audit the accounts and review tables for accuracy to verify the meter rate assignments are correct.

5. Enhance Documentation Practices with Digital Imaging

Root Cause: Due to environmental conditions and lack of training, meter readers fail to take pictures that distinctly show the meter reading.

Corrective Action: The department will conduct additional training to instruct the meter readers how to properly photograph the meter dials.

Discussion: Pictures taken by the meter readers are a backup for the manual reading, not the primary determination of the meter reading. The City's meter readers must deal with environmental and time constraints during the meter reading process. The vast majority of our water meters are installed below ground and are affected by weather related conditions. While the meter reading can manually read the meters, moisture from wet weather often make pictures difficult to obtain. Additionally, time constraints prevent the meter readers from sufficiently cleaning the dial to get a readable picture. Meters are read on a schedule and weather and lack of manpower also interfere with cleaning the meter to get a good picture. In 2023 and 2024, customer service terminated 26 and 9 meter readers, respectively. In 2024, we have 7 active temporary meter readers and 14 full time meter readers. It is difficult for the new meter readers (whether full time or temporary) to quickly learn the routes and location of the meters. With the turnover, it is difficult for the meter readers to read the meters on the routes within the time constraints. It is important to note, once a meter is read, the reading and picture are sent to the editing department staff to



AUDIT NO. 24-07 December 3, 2024

ensure the accuracy of the meter reading. If the picture is unreadable and the manually input reading is suspect, the staff requests a reread.

We are not planning to invest any additional resources in picture taking other than additional training. The W&S Department is currently in the process of implementing an Automated Meter Infrastructure (AMI) system. The AMI project will replace all meters with a new digital meter that automatically reports the meter reads to the department. Manual meter reads will no longer be necessary. The project has started and is expected to be complete in the next 24 months.

6. Verify Address Classifications

Root Cause: Due to inadequate training, Customer Service has failed to verify the revenue classification of each customer.

When accounts were transferred from the old billing system to the existing billing system, revenue class verification was not checked for each customer. This omission was due to a number of reasons including lack of manpower for verification, issues with the billing system, and inadequately trained employees.

Corrective Action: Institute a system to verify whether accounts are classified as inside or outside the city using the meter coordinates to determine the meter location. Additionally, all new accounts will be reviewed by the Customer Service Supervisor or their designee for accuracy.

7. Address Meter Size Classification

Root Cause: Meter sizes above 10 inches are not addressed by City Ordinance.

When the ordinance was updated in 2019, the city ordinance did not contemplate meter sizes larger than ten inches. The 3 twelve-inch meters in the city predated the 2019 ordinance.

Corrective Action: We have updated the ordinance to include 12-inch meters. The ordinance will be considered at the January 14 Council meeting.

Due Date: In Progress



Objective: Is there evidence of water consumption or usage recorded on accounts where meters have been locked, and if so, are the causes properly investigated and addressed?

Finding 2: Shut off/Locked Meters Consumption

The City Ordinance **Section 94-167 - Discontinuance of services**; adjustments states: *“(a) If a bill for water or sewerage service, recycled product collection service, and solid waste collection service is not paid in full by the delinquent date, the city shall have the right to turn off or disconnect the water service...”*

In a sample of 136 accounts with locked meters, our analysis uncovered water consumption in readings from meters that were supposed to be locked due to non-payment. Specifically, we identified issues in 28 of the 136 accounts:

- 3 of the 28 accounts had been paid, but there were no corresponding notes in the system to reflect this.
- 25 of the 28 accounts recorded water consumption after the meter had been locked. *The average time in which meters still registered consumption after being locked was 3 to 4 months.*

While we were informed that locked accounts are monitored regularly, consumption over several months suggests gaps in the monitoring process. Implementing a more consistent monitoring routine can help prevent water usage on locked accounts.

Recommendation 2: Enhance monitoring procedures for locked meters by implementing a more rigorous and consistent monitoring schedule to promptly identify and address instances of water consumption on locked accounts. We also recommend contacting the vendor to explore the possibility of adding a system alert to notify staff about water consumption on a locked account. **Risk: High**

Management Response:

Root Cause: Customer service agents are not timely updating payment notes in the billing system and not effectively monitoring accounts that are turned off due to non-payment due to insufficient training.

Proper training is difficult due to employee turnover. In 2023 and 2024, the Customer Service division terminated 19 employees (3 full time and 16 temporary employees). In 2024, customer service employs 6 temporary employees and 8 full time employees. The department needs well-trained employees and with the staff turnover, it is difficult to train the employees effectively.

There are several methods for turning off water service due to lack of payment. W&S can simply turn off the meter, lock the meter, and remove the meter. Normally, we turn off the



AUDIT NO. 24-07
December 3, 2024

meter. When customers are found to have turned off the meter, we can place a lock on the meter. In extreme cases, we remove the meter from the premises. If a customer turns back on his water, we do not discover the tampering until the next date the meter is read. Customers also “straight line” the meter connection, by-passing the meter, although this is rare. Due to personnel shortages, we currently do not have a dedicated team to regularly check turned off meters and/or meters that are not in service.

Corrective Actions: The department will train the customer service agents to timely and properly record all payments promptly into the system accompanied by clear notes regarding account system updates. The department will introduce automated prompts within the billing system to verify and log updates when payments are processed. The department will establish a more robust monitoring routine to identify and address consumption on locked meters promptly. The department will begin conducting monthly audits of locked accounts to verify compliance with disconnection procedures. The department will work with the billing software vendor to implement alerts in the system to flag locked accounts that show water consumption. We will create a dedicated team to systematically investigate potential tampering, system malfunctions of locked meters, and meters that are not in service. The department will provide additional training to field staff regarding the proper locking.

Discussion: Over the next two years, we will be replacing all our meters with AMI meters which record and send the meter usage to the department. This technology will allow us to immediately recognize unauthorized water consumption in real time.

Due Date: In Progress





Objective: Is the Shut-Off and Collection Policy for delinquent accounts being applied equitably and transparently?

Finding 3: Delinquent Accounts

Per Ordinance 94, Article 5 Rules and Regulations Section 94-168 (a) (8) III (b) IV (a) III. Setting of Due Dates and Delinquency Dates *“(b) An account is considered delinquent when the balance due has not been paid and posted to the account by 5:00pm on the due date. A penalty of 5% will be assessed on the current balance minus any partial payment not posted by 5:00pm on the due date. IV. Mailing of Cutoff Notices (a) Each month disconnect notices will be generated at the time when an account is billed, if the amount due on the prior month's bill is in arrears by \$50.00 or more. At this time, a "pay no later than" date is shown on the disconnected notice, which is 7 working days from issuance of the disconnected notice. If the balance in arrears is not paid on this date, the service may be disconnected within 1 business days.”*

Section 94-168 (a) (11) Termination of Water and /or Sewerage Service
“1. Water and /or sewerage service will be turned off and/or the meter removed for non-payment of account and/or for not repairing leaking water and/or sewer lines that create a health or safety hazard. (a) Water and sewerage accounts or water accounts only.
1. If payment is not posted to the Water and Sewerage Billing System by the due date, a "Disconnect" notice will be generated on the next bill informing the customer of the "pay no later than" date and the past due balance.
2. If payment is not posted to the Water and Sewerage Billing System by the "pay no later than" date, services may be terminated. Services will not be disconnected on Fridays, Saturdays, or Sundays or the day before an official City holiday.
3. If the account remains unpaid five (5) working days after services were disconnected, the meter will be locked.

If a representative of the Office of Water and Sewerage cannot complete a work order i.e., turn-ons, cut-offs, removals, date-on's and a return trip is required, the account will be charged \$20 for each attempt made by Field Personnel.

(b) Sewerage service only

1. If payment is not posted by the due date, a "Disconnect" notice will be generated on the next bill informing the customer of the "pay no later than" date and the past due balance.

(c) If payment is not received in the Finance Dept. Cashiering Office before 9am on the "pay no later than" date by mail or in person, services may be terminated. Services will not be disconnected on Fri., Sat., or Sun. or the day before an official City holiday.

(e) Customer Defaults on a Deferred Payment Contract

1. If the bill is not paid in accordance with the payment arrangement contract, water service may be disconnected immediately and the meter may be locked.



(g) For all accounts if the account remains unpaid after termination of service. 1. If the account remains unpaid 5 working days after services were disconnected, the meter will be locked and if the account has a deposit, the deposit will be applied toward the balance owed. If a deposit is applied the updated account balance will be billed to the customer, with a due date of 30 calendar days from being locked. If the account remains unpaid 30 calendar days after the meter is locked, the account will be closed and may be sent to collections.”

94-168 (a) (12) Procedures for restoration of water service after termination

“1. For all types of accounts regardless of the reason for termination of services: (a) Water services will be restored if the service was terminated due to nonpayment and the customer has paid the past due balance and related fees and penalties. If the previous deposit was applied, or the account did not have a deposit, a new deposit must also be paid prior to restoration of services. The customer may also request a payment arrangement to allow restoration of services.”

According to the Rules and Regulations, there is no definite shut-off time period if payments are not posted by due date. Rules and Regulations only state that services may be terminated and what days (Fri, Sat, Sun, day before Official City holiday) the termination would not occur.

Also, there is no documented policy for when to send accounts to collections and no current agreement with a collection agency. The last agreement from 2004 was with Delinquent Recovery Associates (DRA). Water and Sewerage administration is in the process of acquiring a new agreement. Per Water and Sewerage administration, no accounts have been sent to collections since June 2019 due to issues with the Utility Management Billing System (UMBS). The collection agency has collected for 2023 and 2024 year to date \$72,295 and \$56,601 respectively. No accounts have been written off for 2023 and 2024. The Allowance for Uncollectible Accounts, \$18,337,641, reported in the 2023 Annual Comprehensive Financial Report consists of the accounts with balances that are over 90 days old that are not expected to be collected.

We identified **1,478 accounts disconnected for nonpayment** during January 2023 to May 2024.

Our review of 306 (21%) out of 1,478 disconnected accounts revealed there was inconsistency in when disconnects would occur. See Disconnection Time Period Chart:



AUDIT NO. 24-07
December 3, 2024

Disconnection Time Period	
Disconnection Time After Last Payment	Number of Accounts
6 months – 2 yrs	187 (61%)
Over 2 yrs	38 (12%)
Less than 6 months	81 (27%)
Total	306
Source: Utility Management Billing System (UMBS)	

- 21**(7%) of the 306 accounts were disconnected more than once.
- 42** (14%) accounts had no payment since created.
- 31** (10%) accounts had no payments before disconnected but payment after disconnecting to restore service.

No Deposits are being charged for new accounts opened on or after June 1, 2019. Per Ordinance 94-163 "Deposits", deposits are required on new water and sewer accounts opened on or after June 1, 2019, for customers whose service has been disconnected for late or nonpayment of charges within the previous year. The deposits are not required for all new accounts no matter whether you have been disconnected or not in the past year. If deposits were required and charged for all new customer accounts (i.e., new customers without past disconnected accounts and customers with past disconnected accounts), the city would be able to recoup some revenue loss if or when the customer's account becomes delinquent.

Delinquent Accounts with Balance Over \$2,000		
Revenue Class	Amount Owed	No. of Accounts
Commercial	\$1,797,866	67
Industrial	\$28,985	2
Municipal	\$3,895	1
Residential	\$208,020	76
Total	\$2,038,766	146
Source: Utility Management Billing System (UMBS)		

We reviewed 146 delinquent accounts more than 90 days past due with balances over \$2000 as of May 31, 2024, to determine why they haven't been disconnected.

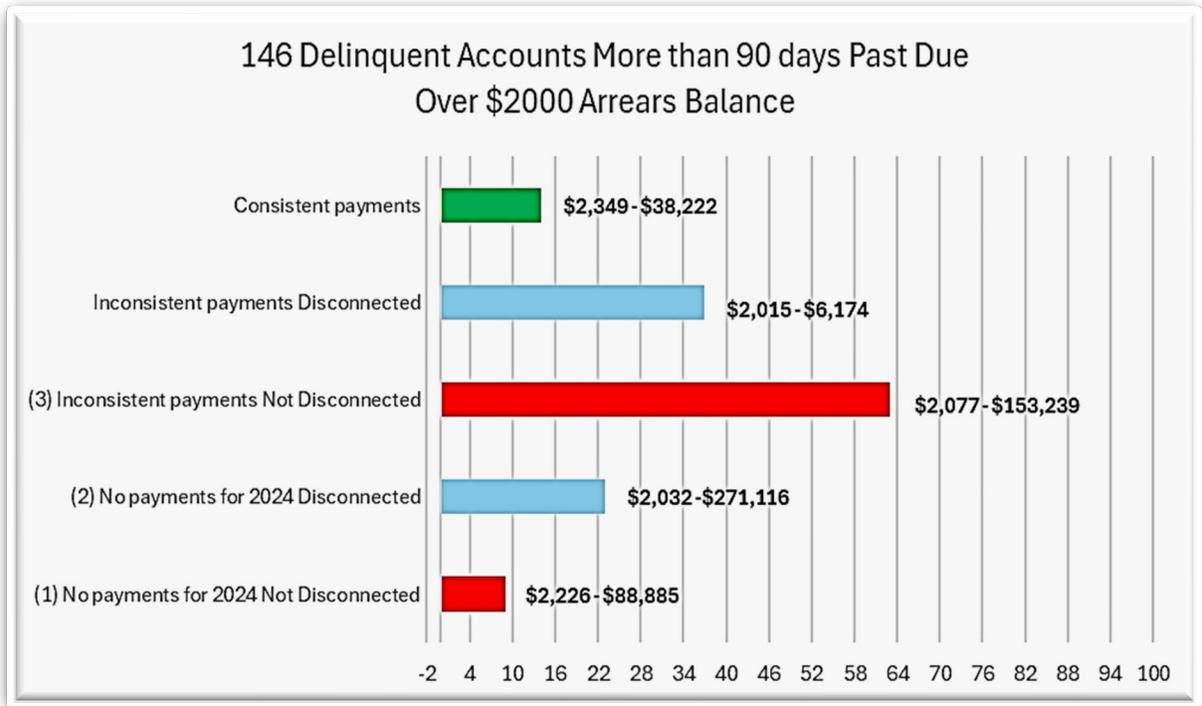


AUDIT NO. 24-07
December 3, 2024

We could not determine why 72 (red bars in chart below) accounts with no payments or inconsistent payments during 2024 were not disconnected. However, three accounts with inconsistent payments had a “Do Not Shut Off “note on the account.

Fourteen accounts had consistent payments (green bar in chart below) during 2024 although the payment amounts weren't always enough to apply toward the current charges and the past due balance.

Sixty accounts (blue bars in chart below) were disconnected after May 31, 2024.



Source: Utility Management Billing System (UMBS)

- (1) 5 accounts were closed during audit. Arrears Balance as of May 2024 \$3,841 - \$88,885
- (2) 19 accounts were closed during audit. Arrears Balance of May 2024 \$2,015 - \$ 91,575
- (3) 10 accounts were set up on Payment Agreements during audit.

Additionally, we observed 128 disconnected accounts were restored without paying the past due balance in full or establishing a payment agreement to have services restored.

Because there is no definite timeline specified in the Rules and Regulations of when disconnects should occur for delinquent accounts, we could not determine if disconnects were applied equitably and transparently.

Failure to promptly address and resolve delinquent accounts can have a detrimental impact on cash flow and financial stability, resulting in lost revenue and strained relationships with customers. It is crucial to implement effective strategies to minimize the number of



AUDIT NO. 24-07 December 3, 2024

delinquent accounts and ensure timely collection of outstanding payments and/or disconnects.

Recommendation 3:

1. Update Rules and Regulations to include:

- definite timeline when services will be disconnected rather than stating they may be disconnected.
- when and what actions will be taken to collect on past due balances including when will delinquent accounts be sent to collections.

2. Once Rules and Regulations are updated, they should be made more user-friendly, searchable and posted online for public access and enforced consistently.

3. Comply with the procedures for restoration of service after termination.

4. Implement a systematic process for identifying and following up on delinquent accounts to ensure timely collection of outstanding payments and/or disconnects. Delinquency processing can include internal efforts such as delinquency notices, phone calls, emails, text messages, and door hangars. External efforts of sending delinquency notices can be coordinated with the City Revenue Division as well as coordinating with the city attorney for legal actions (e.g., liens and civil actions) for accounts that exceed a certain threshold. Conduct regular reviews and escalate unresolved cases as needed to prevent further delinquencies.

5. Contract with a collection agency to assist with collecting from delinquent accounts.

6. Revise language in Ordinance Section 94-163 "Deposits" to require deposits for all new customers rather than only for those customers that have had disconnected accounts due to late or nonpayment of charges in the previous year and begin charging deposits for all new water and sewerage accounts.

Risk: High

Management Response:

Root Cause: The department has not consistently applied shut-off rules for customers. The root cause of not consistently applying shut-off rules originates from the COVID environment. The department was encouraged not to shut off customers due to the economic hardships created by the COVID economy. As a result of not enforcing the shut-off and payment rules and regulations, customers were allowed to accumulate large balances, which even on payment plans, were difficult, if not impossible to pay. Some large apartment complexes took advantage of this unwritten policy and accumulated huge balances which became uncollectable.

Corrective Action: The department has revised the collection process starting in June of 2024.



AUDIT NO. 24-07
December 3, 2024

DAY	ACCOUNT CYCLE	CUSTOMER SERVICE ACTION	CUSTOMER ACTION
0	Account bills	Customer receives 1st bill	Receives paper copy, Ebill, and/or PayStar notification
28	Second bill goes out	If Bill 1 is not paid, a 5% late fee is added to the past due amount	Customer gets an automated reminder phone call of past due balance and access to IVR
33	Automated Phone Call	Automated call 5 days after due date to accounts with 2 bills and no payment	Customer gets an automated call of past due balance and access to IVR
56	Third bill goes out	If the account is unpaid, a 5% late fee is applied. If account is >\$150, bill is a red ink disconnect notice with 20-day notice of shut off	Receives paper copy or Ebill. Customer gets an automated phone call
65-70	Automated Phone Call	Load delinquency list in RingCentral	Customer is given the opportunity to pay via IVR and instructions to request a payment plan
75-77	Phone call from CSR	Call Customers who requested a payment plan	Establish a payment plan. Make a deposit. Sign agreement.
78	Door Hanger placed at door	Door Hanger Shut Off Notice Service Orders Generated and worked	Receives a 3 Day Warning shut off notice at door
80	Customer is Cut Off	Leave a door hanger indicating water service off	

The Water and Sewer Department shall complete the RFP process to select a new collection agency. (However, it is the understanding of the department that liens and civil actions are prohibited by state law.) The department also agrees that deposits should be collected on all new accounts. (This requirement was eliminated by Council action in 2019.)

Discussion: The Department works with all customers to make payments, especially when the customer has a leak. The following are the audited commercial accounts with balances and an explanation of why they have not been turned off. Many accounts have been paid or are being paid, while some accounts have been turned off for non-payment.



AUDIT NO. 24-07
December 3, 2024

ACCOUNT	ACCOUNT STATUS:	ACCOUNT BALANCE AS OF 05/30/2024
xxxxxx-4303	Payment of -4,725.11 on June 03. Last payment 11/11/08 for -1,782.00	4,725.11
	HOA Irrigation meter. Disconnect	4,956.67
xxxxxx-5309	Services `Terminated	2704.99
xxxxxx-6440	Account closed 06/07/24 \$12383.29 should have been transferred to successors	12,383.29
AMAR Holdings	Account closed 07/29/2024	89494.36
xxxxxx-0183	Account closed for non-payment	4,090.36
xxxxxx-7726	Account closed for non-payment 09/24/2024	3,928.10
Blanchard	Waiting for CEA	4085.94
xxxxxx-2900	Account closed 07/09/2024	3,478.15
xxxxxx-2301	Awaiting leak adjustment	6894.72
xxxxxx-6302	Account Paid in Full 10/25/2024	11,384.44
xxxxxx-6303	Bill avg same period thru Nov. \$100 per month	2,391.59
xxxxxx-7311	Customer had leak for months. Service to end if customer does not agree to payment plan	5,530.23
xxxxxx-1303	On payment agreement	8,039.73
xxxxxx-0302		3,294.24
AEP SWEPCO	Account PAID IN FULL	3,643.08
xxxxxx-4300	Current Balance 0	52,933.95
xxxxxx-5300	Balance 12/08 -0-	20,902.13
xxxxxx-2300	Current Balance -0-	
xxxxxx-0300	Current Balance \$66,606.50	11,603.68
xxxxxx-4308	Current Balance \$39,048.19	66,599.13
xxxxxx-5301	Account Balance \$1,322.83	39,048.29
xxxxxx-8308	Making reg payments; not enough. Major leaks issue	14,014.00
xxxxxx-3303	Balance 12/20 -0-	3504.17
xxxxxx-9301	Account closed	116,572.69
xxxxxx-0300	Customer experienced major leaks over several years. No actual usage after 02/2021	2,963.33
xxxxxx-0306	Current balance \$1,103.58	2,530.53



AUDIT NO. 24-07
December 3, 2024

xxxxxx-6304	Property plagued with what appears to be toilet leaks. Making reg payments \$	3,972.31
xxxxxx-0301	Scheduled for termination. Balance \$7,46.49	1,322.85
xxxxxx-0302	Balance 12/03 \$13,191.48	8,508.60
xxxxxx-5302	Balance 12/03 \$22,856.19	15,126.03
xxxxxx-7303	Account Closed	21,165.05
xxxxxx-7300	Current Balance \$759.08	4,660.47
xxxxxx-4301	Current Balance \$492.14	14,223.64
xxxxxx-5301	Current Balance \$1,672.76	5,971.33
xxxxxx-6301	Current Balance \$1,68.82	8,592.55
xxxxxx-7301	Current Balance \$1,718.08	34,192.62
xxxxxx-8301	Current Balance \$2,501.83	35,682.69
xxxxxx-9301	Current Balance \$744.92	27,057
xxxxxx-0301	Customer has slab leak and negotiating with insurance company	15,904.03
xxxxxx-0301	Customer has been dealing with leaks since 2021	2,859.03
xxxxxx-9300	Customer has been experiencing leaks from 2021 thru June 2024	2,033.40
xxxxxx-9304	Current Balance \$6,193.38	2,735.14
xxxxxx-7302	Customer disputes 2 bills. Refuse to pay other months. Balance \$3,555.14 Shut Off	8,652.78
xxxxxx-1303	Awaiting Leak Adjustment Current Balance \$3,556.94	3,647.13
xxxxxx-3303	Awaiting Engineer report for leak adjustment; \$20,954.56	5,829.68
xxxxxx-3300	Current Balance \$1,053.13	19,899.08
xxxxxx-2301	Customer has been dealing with leaks off and on since 2021 Balance \$4,367.07	3,799.61
xxxxxx-7303	Major leaks; appears to have been located and fixed. Usage went from 1,082,000 to 15,000	4,670.68
xxxxxx-5762	Leaks since 6/2023 Balance \$3,482.36	36,063.28
xxxxxx-7261	leak from 10/22 - 08/24	2,527.35
xxxxxx-0138	Scheduled for shut off \$2,948.05	3,465.38
xxxxxx-0767	scheduled for shut off	2,522.20
xxxxxx-2384	Leaks on regular basis. Delinquent \$4,496.27	2,585.04
xxxxxx-8948	Leaks; Delinquent \$2,715.06	4,090.11
xxxxxx-0888	Account Closed	2,192.19



AUDIT NO. 24-07
December 3, 2024

xxxxxx-5575	Property has a history of leaks. Will contact Agent for property. Customer paying	2,561.84
xxxxxx-5663	Paying \$10k per month does not cover current usage. Delinquent balance \$194,406.33	3,562.14
xxxxxx-7570	Customer current \$194,406.61	168,488.81
xxxxxx-1151	Making reg payments; not enough. Major leaks issue since 2022 \$ 2,712.55	14,016.71
xxxxxx-2055	Had leaks from 2022 to about Feb of 2024. Making payments, not enough. \$ 3,630.96	2,982.32
xxxxxx-2331	Had leaks. Awaiting leak adjust \$125,802.96	148,983.03
xxxxxx-6908	Several leaks since service was established. Current balance \$ 4,518.73	3,064.84
xxxxxx-9667	Account Closed \$ 1,913.16	2,724.63
xxxxxx-4608	Monthly payments, not enough \$ 93,071.57	145,290.12
xxxxxx-4988	Service to be terminated \$51,910.	44,465.49
xxxxxx-5032	Account Closed \$ 3,472.79	2,294.51
xxxxxx-5784	Leak at property. \$ 3,832.56	3,290.75
xxxxxx-1573	\$2,459.51	2,175.12

Due Date: In Progress



Objective: Are extensions/payment agreements granted equitably and transparently?

Finding 4: Granting of Payment Extensions and Agreements

When a customer is having a difficult time paying their bill, they can contact Customer Service to request a payment extension or payment agreement.

A payment extension allows a customer to defer the current bill due payment to the next billing cycle. For example, if the bill is due on the 23rd the due date can be extended to the 22nd of the following month.

A payment agreement pertains to an overdue balance. The payment agreement will allow the customer to pay the overdue balance in equal payments over a period of time in addition to the current balance due for each billing period. According to **Ordinance 94, Article 5 Rules and Regulations Section 94-168** (a) (14), the customer must contact Customer Service Division prior to the "pay no later than" date indicated on the disconnect notice and request a deferred payment arrangement.

In conjunction with our review of disconnected accounts, we also reviewed those accounts to determine if customers' request for a payment extension or agreement was granted or denied prior to disconnect.

- Three customers with leaks requested payment agreements but were not granted agreements. The reason noted for two customers was the need for three-month monitoring period to be completed before an agreement could be established. No reason was noted for the third customer.
- Two customers requested and were granted an extension.

We observed that Rules and Regulations do not address payment extensions. Therefore, we were unable to determine what conditions are required for the granting or denial of a payment extension. Also, although Rules and Regulations state the conditions for a payment agreement (i.e. deferred payment arrangement) it does not include reasons for denial.

Recommendation 4:

1. Revise the Rules and Regulations to clearly outline the conditions for granting or denying payment extensions. Ensure that the requirements for a payment agreement, including reasons for denial, are clearly defined and align with Ordinance 94, Article 5 Rules and Regulations Section 94-168 (a) (14).

2. Implement a process for effectively documenting and communicating reasons for denial of payment extensions and agreements to customers. Conduct training for Customer Service Division staff on the updated guidelines to ensure consistent application and compliance.

Risk: High



AUDIT NO. 24-07
December 3, 2024

Management Response:

Root Cause: Customer service does not adequately document payment agreements due to a lack of training and management oversight.

Corrective Action: Increase the training for customer service agents to ensure payment plans are properly documented in the system. Customer Service will continue to include messaging on delinquent bills to inform customers about the availability of payment agreements or payment extensions. Customer service will draft concise messaging for delinquent bills, encouraging customers to contact Customer Service to inquire about payment options. Additionally, we will work with our billing system vendor to integrate this message into delinquent notices. We shall revise the agreements with Caddo Community Action Agency and Socialization Services to be more effective in helping our customers.

Discussion: Proper training is difficult due to employee turnover. In 2023 and 2024, the Customer Service division terminated 19 employees (3 full time and 16 temporary employees). In 2024, customer service employs 6 temporary employees and 8 full time employees. The department needs well-trained employees and with the staff turnover, it is difficult to train the employees sufficiently. We do not deny any customers the opportunity to set up a payment plan. We may delay implementation of payment plan if a customer has leak. If a customer has a leak, we work with the customer to get the leak repaired, and we are able to give the customer a sewer credit for the leaked water. Often, this credit substantially reduces the bill and the need for a payment plan.

Due Date:





Finding 5: Payment Agreement Compliance

According to **Ordinance 94, Article 5 Rules and Regulations Section 94-168 (a) (14):**

"I. Conditions for the deferment of Bills a)The customer should pay at least twenty-five (25%) of the total amount due unless approved by the Superintendent of Customer Service. It is the customer's responsibility to sign a deferred payment arrangement contract to maintain service. A contract for more than ninety (90) days is subject to the approval of the Superintendent of Customer Service. A contract for six months or longer is subject to the approval of the Director of the Department of Water and Sewerage.

b) Unless approved by the Superintendent of Customer Service, a customer is not eligible for more than two (2) payment arrangements per year. Said year shall be measured as the time between the end of the first arrangement and the beginning of the third arrangement and shall reset with each respective third arrangement thereafter.

II. Application of payment to a deferment payment arrangement contract

a) The City applies any payment received to the total amount due for the account. The deferred payment arrangement balance will be credited before the current bill amount. The customer on a deferred payment arrangement contract must pay the current bill plus the deferred contract amount on or before the due date. When the remaining balance on a deferred payment arrangement contract is \$10 or less, the balance due becomes immediately payable. Upon receipt of the payment of the current month's bill plus the final amount due on the deferred payment arrangement contract, the contract will be considered paid in full and the contract will be closed. Otherwise, the customer has defaulted on the contract.

94-168(a) (11) Termination of Water and/or Sewerage Service 1(e) Customer Defaults on a Deferred Payment Contract

1. If the bill is not paid in accordance with the payment arrangement contract, water service may be disconnected immediately, and the meter may be locked."

We reviewed payment agreements for 56 delinquent accounts, with balances 90 days overdue, for compliance. Our review showed:

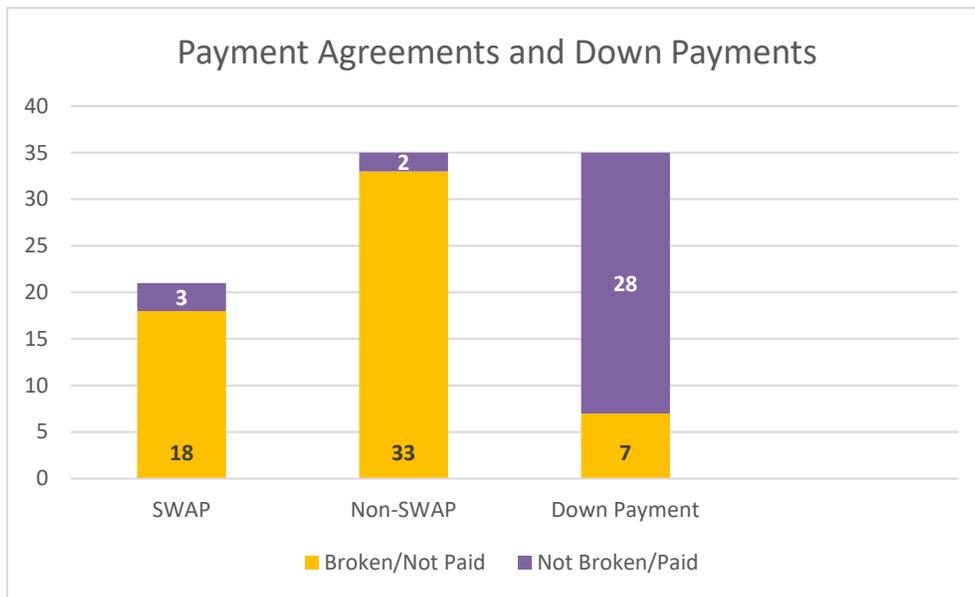
21 (38%) of the 56 were SWAP (Shreveport Water Assistance Program) agreements. This means that one of the Community Partners (i.e. Caddo Community Action Agency or Socialization Services) pledged a specified amount toward the customer's overdue balance and the remaining balance was placed on a payment agreement to be paid over a period of time by the customer.



51(91%) SWAP and Non-SWAP payment agreements were qualified to be broken (orange bar) (i.e., late or missed payments or did not pay payment agreement amount and current charges).

Payment agreements remained active and payment agreement monthly amount due continued to be reflected on physical bills for at least 2

months after the agreement was qualified to be broken. Customers were not penalized (i.e., services disconnected, meter locked) for defaulting on the agreement. Currently, Customer Service allows the customer at least a second chance to meet the payment agreement requirements.



Payment agreements are not automatically canceled in the Utility Management Billing System (UMBS) when defaulted on. Customer Service Representatives have to manually cancel the agreement in the UMBS. The UMBS has the capability to automatically cancel the payment agreement, but Water and Sewerage management has chosen not to activate this feature due to its stringency.

7 (20%) paid less than the 25% (orange bar) down payment to start (Non Swap) payment agreement. For the 7 that did not pay 25%, there was no evidence of approval by Superintendent of Customer Service. **<Auditor Note: Customers that receive SWAP are not required to pay 25% down payment.>**

35 (62%) of 56 payment agreements were over 8 months.

Also, leak adjustments were applied toward the 25% down payment for three customers. However, this practice is not stated in the Rules and Regulations.

Recommendation 5:

1. Since Rules and Regulations state that it is up to the customer to contact Customer Service to defer bill payment, management should consider including, on delinquent bills, a message informing customer to contact Customer Service to inquire about a payment agreement or payment extension. This will inform those who may not be aware of these options or do not have internet access where this information is currently being advertised. This could also possibly alleviate large overdue balances.



AUDIT NO. 24-07
December 3, 2024

2. Rules and regulations should be:

- updated to coincide with current practices, policies and procedures that are in place (i.e. approval of length and signing of payment agreement, applying leak adjustments toward 25% down payment) and comply with them once they are updated.
- strengthened by requiring payment agreements to be approved rather than being subject to approval. Since the majority of the payment agreements reviewed were at least for a year, management should consider adjusting the minimum time period requiring approval from 90 days.
- enhanced by requiring disconnection of services, locking meter, and sending the account to a collection agency (as recommended in [Finding #3 Delinquent Accounts](#)) for defaulting on the payment agreement. Risk: High

Management Response:

Root Cause: Customer service does not adequately enforce payment agreements due to the lack of a comprehensive set of rules and regulations, a lack of training, and a lack of management oversight.

Corrective Action: The department shall conduct a review of existing practices, including payment agreement terms (e.g., length, approval process, and down payments), include explicit policies for applying leak adjustments to down payments and the criteria for approving payment agreements. The Department shall then revise the rules and regulations of the payment plans to reflect the current practice of the department and shall increase the training for customer service agents to ensure payment plans are documented properly in the system and the payments are collected pursuant to the agreement. Additionally, we shall create a status report on all payment plans to ensure the payments are made as required. This report shall be reviewed monthly by the Customer Service Supervisor. Payment plans that are out of compliance shall be subject to the termination process of the department.

Due Date: In Progress





Objective: Are there mechanisms in place to effectively track, analyze, and address customer feedback and complaints, and are performance metrics established and utilized to evaluate services?

Finding 6: Customer Satisfaction Evaluation Tools

Customer Service Representatives (CSRs) serve as the frontline customer interface in the water billing process by providing guidance on billing details, usage concerns, and payment options to enhance customer satisfaction. According to the American Water Works Association, establishing performance metrics and feedback mechanisms helps identify areas for improvement.



During our inquiry into performance measures, we learned that some evaluations are conducted through quarterly assessments of customer service representatives (CSRs), based on recorded and live calls. Management indicated that in 2023, the assessments were inconsistently completed due to staffing shortages and supervisors being occupied with call-handling responsibilities.

Supervisors utilize a quality call scoring form to evaluate CSRs, with a scoring method of 5 points per question. However, the form lacks a section to record total scores for each CSR and does not specify satisfactory or unsatisfactory criteria. Low scores are intended to trigger additional training and coaching, but the absence of clear thresholds limits the effectiveness of this process.

Another performance measure is response time. According to UMBS data (Utility Management System), 38,146 calls were logged in 2023, with an average response time of 30.62 seconds per call. Topics ranged from billing inquiries to service issues and account updates. However, we could not verify whether response time goals were consistently met due to insufficient data on calls in the queue. For example, response time goals based on calls in the queue are as follows:

Calls in queue	Response time
0-5	1-3 minutes
15	5-8 minutes

We also identified that the Water Customer Service Department (W&S) lacks dedicated tools to effectively capture, track, and analyze customer complaints and feedback. Specifically, there is no established customer service tool or report that allows representatives to log and categorize customer complaints. Without a formalized method to track complaints, recurring issues may go unaddressed, leading to potential customer satisfaction declines and missed service improvement opportunities. W&S also informed us that there are technical issues regarding their customer service survey tool; therefore, we could not determine customer satisfaction. The absence of a survey tool limits the department's ability to systematically



AUDIT NO. 24-07
December 3, 2024

gather customer feedback, hindering efforts to assess service quality, identify areas for improvement, and measure the impact of enhancements over time.

Recommendation 6: **1.** Complete the Agent Quality Call Scoring form consistently and revise the form to include clear scoring guidelines and thresholds (e.g., satisfactory, unsatisfactory, needs improvement) to ensure consistency in evaluations and to establish criteria for additional training and coaching. **2.** Enhance response time tracking by implementing a system to monitor and report on response times based on the number of calls in the queue, aligning with the specified goals with documented results. **3.** Implement a dedicated customer service tool for logging and categorizing customer complaints to track and address recurring issues effectively. **4.** Resolve technical issues with the customer service survey tool to enable systematic gathering and analysis of customer feedback on service quality and satisfaction to drive service improvements. Risk: Low

Management Response:

Root Cause: Customer service does not adequately enforce payment agreements due to the lack of a comprehensive set of rules and regulations, a lack of training, and a lack of management oversight.

Corrective Action: Customer Service shall revise and standardize the Agent Quality Call Scoring Form (FORM) to include clear scoring guidelines and thresholds and ensure consistent use of the FORM. The revised FORM shall define clear scoring metrics such as "Satisfactory," "Unsatisfactory," and "Needs Improvement." The FORM shall also include criteria for specific aspects of customer interactions (e.g., professionalism, accuracy, and problem resolution). Customer Service shall provide training to the supervisors on using the revised FORM consistently and establish a schedule for regular evaluations. The result of the survey will be used to identify areas where additional training is necessary. Customer Service shall set goals for queue performance and shall use the existing call management system to monitor and report response times for customer calls, including queue management and alignment with performance goals. Customer Service shall implement a Customer Complaint Logging Tool for logging, categorizing, and analyzing customer complaints.

Discussion: The Water and Sewer Department purchased Customer Survey Tool software almost two years ago to gauge customer satisfaction and the effectiveness of our customer service agents. Unfortunately, the software has had technical issues preventing its use. We will continue to work with the software vendor to successfully integrate the software into our system.

Due Date: In Progress



AUDIT NO. 24-07
December 3, 2024

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Carr Riggs and Ingram
City Attorney
Director of Department of Water and Sewerage



Appendix A: Findings Risk Ranking Criteria

The chart below summarizes our evaluation of risk for the recommendations outlined in the report. Each recommendation was assessed at a high, medium, or low risk level based on a qualitative assessment of exposure and/or corrective action priority.

Risk Levels	Risk Description
High Risk	Represents a significant level of risk exposure to city assets, public safety, or achievement of objectives or mission. Corrective action should have the highest priority.
Medium Risk	Represents a moderate level of risk exposure to the city from extensive operating inefficiencies or high-level non-compliance issues. Corrective action should occur expeditiously.
Low Risk	Represents a minimal level of risk exposure to the city from inefficiencies or low-level non-compliance issues. Corrective action should occur as appropriate.