



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO TEXAS 78283-3966

December 12, 2008

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Councilwoman, District 8

Mayor and Council Members:

SUBJECT: Solid Waste Management Department Audit Report

We are pleased to send you the audit report of the solid waste fees collected by CPS Energy. This audit began in December 2007 and concluded with an exit meeting with department management in November 2008. Management's response is included in Appendix F of the report. The Solid Waste Management Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Park E. Pearson

Park E. Pearson, CPA
Interim City Auditor
City of San Antonio

Distribution:

Sheryl L. Sculley, City Manager

Frances Gonzalez, Assistant City Manager

David W. McCary, Director, Solid Waste Management Department

Michael Bernard, City Attorney

Leticia Vacek, City Clerk

Larry Zinn, Chief of Staff, Office of the Mayor

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Edward Benavides, Executive Assistant to the City Manager

CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of the Solid Waste Management Department

Solid Waste Fees Collected by CPS Energy

Project No. AU08-001

December 12, 2008

Executive Summary

As part of our annual audit plan approved by the City Council, we conducted an audit of solid waste fees that CPS Energy (CPS) billed and collected on behalf of the Solid Waste Management Department (SWMD) for the City of San Antonio (COSA). The audit objective and conclusions follow:

Is CPS appropriately calculating, collecting, and reporting solid waste fees being assessed in customer energy bills?

CPS appropriately calculated, collected, and reported solid waste fees for residential customers, except for recent COSA annexations, exempt neighborhoods, and certain residents of other cities. However, the dollar amounts associated with these exceptions are not significant compared to total annual garbage fee revenue.

Also, we reviewed administrative fees from CPS and determined that COSA was overcharged approximately \$64,000 during fiscal year 2007 (FY 2007) and the first half of FY 2008.

We recommend that SWMD management:

- Work with CPS to take corrective action for customers who were either over or undercharged solid waste fees.
- Develop procedures to monitor the propriety of CPS solid waste billings on an ongoing basis, particularly as they relate to customers in annexed areas, exempt neighborhoods, customers residing outside COSA limits, and residents with multiple automated garbage carts.
- Work with COSA management to revise the Municipal Code to include appropriate garbage fee rates for residents with multiple automated garbage carts.
- Request a refund from CPS for overcharged administrative fees.
- Work with the Finance Department Public Utility Division to revise remittance terms with CPS so that the payment made on the 5th of the month represents approximately one-half of the expected total monthly solid waste fee revenue.
- Perform an assessment of CPS's administrative charges with the assistance of the COSA Finance Department Public Utility Division to determine if such charges are reasonable.

We want to highlight the efforts of SWMD to establish route inspector positions before we did the audit and the success the inspectors have had in reviewing and correcting previous billing issues.

Management's verbatim response is at **Appendix F** on page 14.

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Background

The goals of the Solid Waste Management Department (SWMD) focus on providing quality service in solid waste (garbage) collection, brush collection, recycling, and landfill maintenance to the residents of the City of San Antonio. COSA's Municipal Code details the fees and functions of solid waste services.

CPS Energy billed and collected approximately \$76 million in solid waste fees for FY 2008. A chart of solid waste fee revenue earned since FY 2005 is at **Appendix A** beginning on page 8.

CPS bills solid waste fees in monthly utility bills it sends to COSA residents. CPS also works with SWMD staff to research and resolve customer billing issues. A sample customer bill is at **Appendix B** on page 10.

CPS remits bimonthly payments to COSA based on the total of all solid waste fees billed during the previous month. An example of a CPS monthly remittance statement, at **Appendix C** on page 11, reports solid waste fees of \$6.3 million billed to COSA customers in March 2008.

Audit Scope and Methodology

The audit scope includes CPS customer billings for FY 2006, FY 2007, and the first six months of FY 2008 as of March 31, 2008. However, we included financial data from FY 2005 for our study of administrative fees in observation G for historical comparison purposes.

Auditors interviewed personnel from SWMD and the Public Utility Division of the Finance Department, as well as several departments within CPS. We reviewed written policies and procedures related to this audit. We also observed and created flowcharts of relevant processes to gain an understanding of the flow of information between COSA departments and CPS.

Although denied direct access, auditors relied on the computer-processed data CPS provided for our test work. We tested the completeness of the data by comparing the count of records and the tally of dollar amounts to monthly remittance statements from CPS.

We selected a random attribute sample of 498 residential addresses from the Bexar Appraisal District 2007 tax rolls (from a total of 349,263 residential properties). We obtained billing data from CPS for the test month of December 2007 and reviewed the bills corresponding to the 498 addresses in our sample.

The results of our test work showed an insignificant error rate; only three of the 498 sample records (0.6 percent) had billing errors. Using the attribute sampling methodology with a 95 percent confidence level, a five percent margin of error, and a 0.6 percent error rate, we can infer that no more than 4,471 COSA residential addresses were billed in error for the test month of December 2007.

Because the three errors we identified in our tests related to properties located in the recently annexed Helotes and Kyle Seale areas, we tested the entire population of COSA residents in those annexed areas using March 2008 CPS billing data (the most current data available to us).

Other work included testing for:

- Billing of COSA residents who are exempt from garbage fees.
- Billing of COSA residents in automated areas who have multiple garbage carts.
- Billing of non-COSA residents.
- CPS billing counts used to determine monthly administrative fees.
- Credit adjustments on CPS monthly remittance statements.
- Reasonableness of the administrative fee CPS charges COSA.
- Propriety of solid waste fee revenue reported in the COSA SAP financial system.

Our tests were based upon criteria established in the Texas Local Government Code Chapter 43, Municipal Code Chapter 14, various memorandums between COSA and CPS regarding administrative charges and terms of payment, and COSA Annexation Service Plans.

We conducted this audit from December 2007 to June 2008 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Staff Acknowledgement

Barry Lipton, CPA, DABFA, Deputy City Auditor
Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Arlena Sones, CPA, CIA, CGAP, Auditor-In-Charge
Alejandro Valadez
Christopher Williams, CGAP
Rebecca Moulder

Audit Results and Recommendations

A. Recently Annexed Areas

A significant number of residents in annexed areas were not appropriately billed. Some were either under or overcharged and others were not charged at all.

The Annexation Service Plans for the Helotes and Kyle Seale areas, which were annexed on December 31, 2005, state that all properties will be assessed a monthly environmental service fee.¹ State law allows the residents of an annexed area the options of continuing with their private garbage providers for two years after the effective date of the annexation, or switching to City-provided garbage service at any time during the first two years after annexation. However, at the end of the two-year period, all residents of the annexed area must switch to City-provided service. Accordingly, all residents of the Helotes and Kyle Seale areas should have been charged solid waste fees for service beginning January 1, 2008. Residents who switched to City-provided service before January 2008 should have been billed starting the date of their switch to City service.

SWMD does not have a billing oversight mechanism; therefore it had no way to detect the billing errors made by CPS. When SWMD initially notified CPS of the annexation, CPS programmed its billing system to include the annexed areas, but did so incorrectly.

Incorrect billings began in January 2006 and continued up to our test period of March 2008. For example, in March 2008 CPS did not assess fees to more than half of the residential properties in the recently annexed Helotes and Kyle Seale areas (1,330 of 2,489 properties, or about 53 percent). Of the 1,159 properties assessed solid waste fees, 213 (18 percent) were incorrectly charged (193 were overcharged and 20 were undercharged). Consequently, for the month of March 2008, COSA did not receive revenues of \$16,850 because of these uncharged or undercharged fees. The overcharges to residents totaled \$3,221.

A schedule of all billing errors we identified during the audit is at **Appendix D** on page 12.

Recommendations:

A-1. SWMD should establish procedures to monitor CPS billings to residents of newly annexed areas.

¹ COSA Annexation Service Plan, "All properties, residential and nonresidential shall be assessed a monthly environmental services fee of \$1.30 per each electrical meter account... For the first two years after annexation, residents may choose to either retain their present private service provider or utilize City-provided service."

A-2. SWMD should work with CPS to bill residents who were undercharged or not charged. Credits or refunds should be given to those who were overcharged during the past year, according to the provisions of the Municipal Code.²

B. Exempt Neighborhoods

Although exempt by the provisions of the Municipal Code,³ some residents were charged garbage, brush, and conversion fees.

SWMD did not have a billing oversight mechanism in place to ensure that exempt residents were not billed garbage, brush, or conversion fees.

CPS charged garbage and brush fees to about 13 percent of exempt properties (1,299 of 10,200). Because of the billing errors, residents were overcharged \$21,268 in December 2007. However, some residents were overcharged as early as March 2006 (the earliest period tested). Most of the exempt neighborhoods are located on the north side of San Antonio, and it is possible the overcharges have been occurring since the neighborhoods were developed or annexed. The overcharges represent a liability to COSA.

Recommendations:

B-1. SWMD should establish procedures to monitor CPS billings to residents of exempt properties.

B-2. SWMD should work with CPS to appropriately credit or refund residents who were mistakenly charged garbage, brush, and conversion fees.

C. Residents of Other Cities

Some residents of other cities (that is, CPS customers who live outside COSA city limits) were charged COSA solid waste fees.

CPS billed \$2,276 in solid waste fees to 460 residents of other cities in December 2007. However, some of these errors occurred as early as March 2006 (the earliest period

² Municipal Code 14.22 (f) (2) "...Once the necessary verification has been made, a credit/refund can be granted retroactive to one year [twelve (12) months], or to date this activity started, whichever occurs first. An additional two (2) years [twenty-four (24) months] credit/refund can be granted if the customer submits the request in written form."

³ Municipal Code 14.22 (b) "...Exemptions at subsection (d), recited below, do not apply to the environmental services fee... (d) Exemptions. Apartment houses and mobile home parks may be exempted from payment of garbage collection/solid waste fees upon furnishing of sufficient evidence assuring acceptable removal of all garbage and refuse by private means... Single-family residences on premises not abutting public roadways, and to which access is possible only across private property, and premises abutting public roadways but on which the dwelling is so remote from such roadway as to make city collection of garbage impractical, may be exempted from such collection service and charges."

tested). A map and list of the cities near San Antonio whose residents were charged COSA solid waste fees are at **Appendix E** on page 13.

The Municipal Code states that solid waste fees apply only to those CPS customers who reside within the corporate city limits of San Antonio.⁴

SWMD did not have a billing oversight mechanism in place to detect this condition.

Recommendations:

C-1. SWMD should establish procedures to monitor billings to ensure that CPS does not bill residents of other cities for COSA solid waste fees.

C-2. SWMD should work with CPS to appropriately credit or refund nonresidents who were charged COSA fees.

Note: While researching CPS customers with addresses in other cities, we identified two properties within the corporate city limits of COSA that were not accurately listed on the Bexar Appraisal District tax rolls. We notified the Property Tax Division of the COSA Finance Department which took corrective action to begin recovering approximately \$7,700 for the last five years of property taxes due COSA.

D. Municipal Code Revisions—Automated Service

Residents with multiple automated garbage carts were not being charged consistently.

SWMD's practice is to charge additional fees to customers who require multiple carts in automated service areas. However, the Municipal Code does not include provisions (i.e. rates) for charging residents in the automated areas for additional City-issued garbage carts. It is common practice for cities to charge additional fees for multiple carts. SWMD indicated that they are working with the City Attorney to draft a revision to the Municipal Code to include provisions for residents who live in areas that have converted to automated garbage service who require multiple carts.

Because the rates are not codified and billing procedures are not solidified, a customer with two carts might be charged \$35.98 a month (two multiplied by \$17.99), while another customer might be charged \$34.68 per month (\$17.99 plus an extra garbage, conversion, and brush fee). More customers will likely have multiple carts as the automated program matures.

⁴ Municipal Code 14.24 (a) states "The CPS Energy shall include in the monthly electric and gas bill rendered its customers within the corporate limits of the city the solid waste service charges prescribed in this chapter."

Recommendations:

D-1. SWMD should work with COSA management to update the Municipal Code to include rates for additional garbage carts.

D-2. SWMD should work with CPS to develop procedures to monitor billings to residents with multiple garbage carts.

E. CPS Administrative Fee Overcharge—Number of Billings

CPS overcharged COSA by mistakenly including 191,273 billings for FY 2007 and 125,311 billings for the first six months of FY 2008 in its computation of administrative fees.

CPS's SAP system mechanism, which tallies the number of monthly solid waste billings for use in the administrative fee computation, incorrectly counted zero-dollar amount bills and reverse/re-bills (i.e. when the bill is assigned a new SAP document number rather than the bill retaining the original).

As a result, CPS overcharged COSA \$64,266 in administrative fees; \$39,510 for FY 2007 and \$24,756 for the first six months of FY 2008.

Recommendations:

E-1. SWMD should request a refund from CPS for the overcharged administrative fees.

E-2. SWMD should work with CPS to correct the SAP mechanism that tallies monthly billings used in the administrative fee computation.

F. CPS Transmittal of Payments

The first of two monthly payments CPS remits COSA for monthly solid waste fee revenue is only \$750,000 of a total that is currently more than \$6 million a month (a monthly remittance statement is at **Appendix C** on page 11). This initial payment does not approximate one-half of the monthly revenues as seemed to be the intent in the original agreement COSA reached with CPS in 1989.

A 1989 memorandum of understanding between COSA and CPS established the current payment terms for the solid waste fee revenue. The terms require a payment of \$750,000 on the 5th of the month following billing, with the balance due on the 15th of the month. Solid waste fee revenue was approximately \$20 million (\$1.6 million a month) in 1989 and the payment of \$750,000 on the 5th of the month represented approximately half of the total monthly revenue. However, currently half of the monthly solid waste fee revenue is approximately \$3.2 million.

SWMD and the Public Utility Division of the COSA Finance Department have not renegotiated payment terms with CPS since they were established in 1989.

We conservatively estimate an opportunity cost of about \$24,000 annually in lost interest income to COSA.⁵

Recommendation:

F-1. SWMD should work with the Finance Department Public Utility Division to revise remittance terms with CPS so that the payment made on the 5th of the month represents approximately one-half of the expected total monthly solid waste fee revenue.

G. CPS Administrative Fee Charges

From FY 2005 to FY 2007, the administrative fee CPS charged COSA for billing and collecting solid waste fees rose about 38 percent (from approximately \$2.1 million to about \$2.9 million according to payments recorded in COSA's SAP system), while the number of bills CPS sent out on behalf of COSA increased only five percent. A schedule of CPS administrative fee rates since FY 2005 is at **Appendix C** on page 11.

Before the start of each fiscal year, CPS and COSA agree to the administrative fee rate that CPS will charge COSA for its solid waste billing and collection services. This rate is determined by CPS and supported by various analyses and documentation. The most recent analysis was provided to SWMD by CPS Energy on September 18, 2008. In practice, this rate is determined by CPS and reviewed and approved by SWMD. However, neither SWMD nor the Public Utilities Division of COSA's Finance Department has performed a recent assessment of the administrative charges to determine if increases are warranted.

Recommendation:

G-1. SWMD, with the assistance of the COSA Finance Department Public Utility Division, should perform an assessment of CPS's administrative charges to determine if they are reasonable.

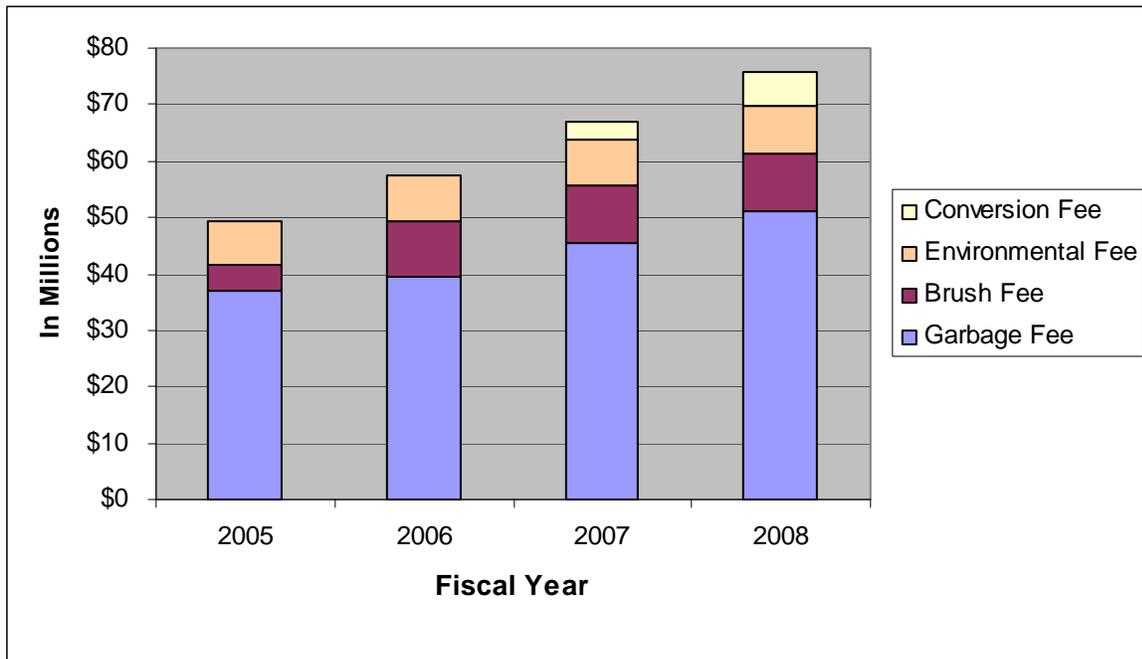
*This concludes the Audit Results and Recommendations section. Management's responses to the observations in this section are at **Appendix F** on page 14.*

⁵ If CPS were required to remit payment on the 5th of the month for half of the current monthly revenue, the first payment would be about \$3.2 million instead of \$750,000—an increase of almost \$2.4 million. If the \$2.4 million earned interest at three percent, \$2,000 in interest would accrue in ten days (the time lag between payments on the 5th and 15th of the month). Because the shortfall occurs each month, the opportunity cost for the year would be approximately \$24,000.

Appendix A – Solid Waste Revenue and Fee Charts

The graph below shows actual solid waste fee revenue for FYs 2005 to 2008. Revenues increased from approximately \$50 million in FY 2005 to \$76 million in FY 2008, or about 52 percent.

**Solid Waste Fee Revenue
Fiscal Years 2005 to 2008**



Appendix A – Solid Waste Revenue and Fee Charts (cont.)

COSA Residential Solid Waste Fees Fiscal Years 2005 to 2008

Residential Solid Waste Fees	2005	2006	2007	2008
Environmental Services Fee	\$ 1.30	\$ 1.30	\$ 1.30	\$ 1.30
Garbage Fee	9.71	10.16	11.42	12.66
Brush Fee	1.20	2.53	2.53	2.53
Conversion Fee	-	-	0.74	1.50
Total Residential Solid Waste Fees	\$ 12.21	\$ 13.99	\$ 15.99	\$ 17.99

Currently, CPS bills approximately 338,000 COSA residents all four solid waste fees (totaling \$17.99 a month in FY 2008 as shown in the table above). Additionally, CPS bills approximately 190,000 residential and commercial exempt customers the environmental fee only (\$1.30 a month in FY 2008). Exempt customers are those customers that do not receive COSA garbage service because they have private service (e.g. apartment complexes, private gated neighborhoods, commercial businesses).

Appendix B – Sample CPS Customer Bill

♦ THIS BILL IS DUE AND PAYABLE UPON PRESENTATION ♦ KEEP THIS PART FOR YOUR RECORDS ♦
IF YOU HAVE ANY QUESTIONS REGARDING YOUR ACCOUNT, PLEASE WRITE CPS Energy, P.O. BOX 2678, SAN ANTONIO, TEXAS 78289-0001, OR CALL
Customer Service (210) 353.2222 ♦ Gas or Electric Trouble (210) 353.4357 ♦ Visit us online at www.cpsenergy.com



Statement of Account
SAN ANTONIO TX 78233

Billing Date: 06/20/08
Customer Number: [REDACTED]

Balance Due
On or Before Jul 07, 2008 Pay **\$310.63**
After Jul 07, 2008 Pay **\$314.66**

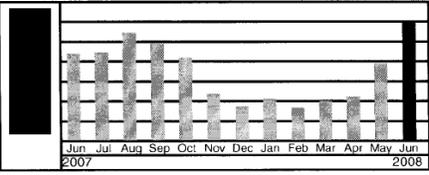
BILLING SUMMARY
(see reverse for detail)

Previous Bill 05/21/2008 \$196.01
Payments/Adjustments Thank You -\$198.43
Balance -\$2.42

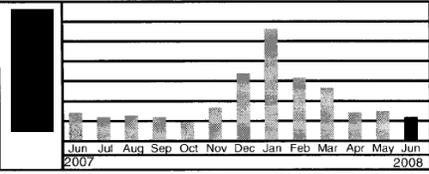
Current Electricity Charge \$267.68
Current Natural Gas Charge \$25.93
Total Current Energy Charge **\$293.61**

City Services \$17.99
State & Local Sales Taxes \$1.45
Total Account Balance **\$310.63**

YOUR ELECTRICITY USE (kWh)



YOUR NATURAL GAS USE (ccf)



ACCOUNT COMPARISON SUMMARY

	Current Month	Previous Month	Last Year
Days on Bill	30	32	33
kWh Used	[REDACTED]	[REDACTED]	[REDACTED]
Avg. kWh/Day	[REDACTED]	[REDACTED]	[REDACTED]
Cost per Day	[REDACTED]	[REDACTED]	[REDACTED]
ccf Used	[REDACTED]	[REDACTED]	[REDACTED]
Avg. ccf/Day	[REDACTED]	[REDACTED]	[REDACTED]
Cost per Day	[REDACTED]	[REDACTED]	[REDACTED]

Customer Service (210) 353-2222
Gas or Electric Trouble (210) 353-4357
Pay-By-Phone 1-800-405-3521
Pay Online www.cpsenergy.com

"Se Habla Español"

*** UTILITY ASSISTANCE ***

The City of San Antonio Community Initiatives Department and the Bexar County Housing and Human Services Department offer utility bill assistance to qualifying low-income, disabled and elderly customers. For a referral or an appointment, call the City of San Antonio at 207-7830 or Bexar County at 335-6770.

CPS Energy
P.O. BOX 2678 ♦ SAN ANTONIO TEXAS 78289-0001

Customer Service (210) 353.2222
Gas or Electric Trouble (210) 353.4357
"Se Habla Español"
PN: 34996

Customer Number : [REDACTED]

Previous Bill \$196.01

Payments & Adjustments
Payment 06/10/08 -\$198.43
Sub total -\$198.43
Balance -\$2.42

Electric
Residential Electric
[REDACTED]

Gas
General Service
[REDACTED]

City Services
Garbage/Conversion Fee \$14.16
Brush Fee \$2.53
Environmental Services Fee \$1.30
Total City Services (Taxable) **\$17.99**

Meter Read Detail (Read=R) (Estimated=E)
[REDACTED]

Billing Period May 21, 2008 - Jun 19, 2008

Appendix C – CPS Monthly Remittance Statement

CPS ENERGY		March 2008 ← Month of Service		
NAME: City of San Antonio Solid Waste & Environmental Fee Calculations				
VENDOR #	303848	PAY DATE	04/15/08	ORIGINATOR 2006
				DATE 04/03/08
			AMOUNT	\$0.00
City Services Pass Throughs	Solid Waste(Garbage) Fees	Brush Fees	Environmental Fees	TOTALS
Gross Fees Collected from COSA Customer	4,775,606.68	853,284.16	694,673.13	6,323,563.97
Less: Adj Fees (Acct.'s 499910 & 499911)	(4,987.60)		(7.80)	(4,995.40)
Net Fees	4,770,619.08	853,284.16	694,665.33	6,318,568.57
City Sales Tax Pass Through				
GL Prepayments & Other Balance	-	-	\$ 507,159.95	
Bad Debt Solid Waste Sales Tax	-	-	(2,543.65)	
Net Sales Tax				504,616.30
Subtotal				6,823,184.87
Less: CPS Energy's Collection Fees	(163,482.40)	(28,308.64)	(58,071.30)	(249,862.34)
Less: Partial Payment				(750,000.00)
Less: COSA Assistance Credit				(4,848.00)
Total Check Amount				5,818,474.53
	GFAC	BFAC	ESFAC	
Number of bills	353,858	353,858	553,060	
CPS fee per bill	\$0.462	\$0.080	\$0.105	
CPS Collection Fee	\$163,482.40	\$28,308.64	\$58,071.30	

Total Fees Revenue (points to 504,616.30)

CPS Administration Fees (points to (249,862.34), (750,000.00), and (4,848.00))

Payment due on the 5th of the month (points to 5,818,474.53)

Payment due on the 15th of the month (points to 5,818,474.53)

In addition to reporting solid waste fee revenue, the remittance statement includes administrative fees CPS charges COSA for billing and collection services. Currently, CPS charges COSA \$0.647 for every garbage customer bill and \$0.105 for every exempt customer bill (including commercial customers). Following are the details:

CPS Administrative Fee Rates Charged COSA For Each Bill Fiscal Years 2005 to 2008

CPS Administrative Fees	2005	2006	2007	2008
Environmental	\$0.072	\$0.079	\$0.112	\$0.105
Garbage	0.386	0.411	0.420	0.409
Brush	.048	0.102	0.093	0.080
Conversion to Automated Service			0.027	0.053
Total CPS Administrative Fee	\$0.506	\$0.592	\$0.652	\$0.647

Appendix D – Residential Testwork Summary of Exceptions

Solid Waste Fee Testwork for Annexed Areas Summary of Exceptions

Error Category	Error Results	Number of Errors	Population Size	Error Rate	Incorrect Charges for Test Month of March '08*
Newly Annexed Areas	Overcharged	193	2,489	8%	\$ 3,221
Total Overcharged		193			\$ 3,221
Newly Annexed Areas	Not Charged	1,330	2,489	53%	\$ 16,500
Newly Annexed Areas	Undercharged	20	2,489	1%	\$ 350
Total Undercharged		1,350			\$ 16,850

*We chose to test the most current data available to us which should have reflected all billing changes required pursuant to annexation plans.

Solid Waste Fee Testwork for Exempt Areas and Areas Outside COSA Limits Summary of Exceptions

Error Category	Error Results	Number of Errors	Population Size	Error Rate	Incorrect Charges for Test Month of Dec, '07
Exempt Neighborhoods	Overcharged	1,299	10,200	13%	\$ 21,268
Outside COSA Limits	Overcharged	460	N/A	N/A	\$ 2,276
Total Overcharged		1,759			\$ 23,544

Appendix E – Residents of Other Cities Billed COSA Fees

These cities had residents who were incorrectly billed COSA solid waste fees:



Following are details about the billings:

City Name in CPS Records	Billings Outside COSA Limits	Overcharges December 2007
A: Adkins	10	\$113.14
B: Boerne	3	30.09
C: Bulverde	2	35.98
D: Converse	18	273.75
E: Elmendorf	5	23.19
F: Garden Ridge	3	53.97
G: Helotes	46	607.97
H: Live Oak	5	73.26
I: Lytle	3	37.28
J: New Braunfels	1	17.99
K: Schertz	1	1.30
L: Selma	11	164.51
M: Universal City	293	501.03
N: Von Ormy	59	342.44
Totals	460	\$2,275.90

Appendix F – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

Park E. Pearson, CPA
Interim City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit AU08-001

City Management and the Solid Waste Management Department (SWMD) have reviewed the audit report for the Solid Waste Fees Collected by CPS Energy (CPS) and have developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A-1	Recently Annexed Areas SWMD should establish procedures to monitor CPS billings to residents of newly annexed areas.	3	Accept	David Lopez, Solid Waste, COSA & Helen Madison, Audit, CPS	September 30, 2009
A-2	SWMD should work with CPS to bill residents who were undercharged or not charged. Credits or refunds should be given to those who were overcharged during the past year, according to the provisions of the Municipal Code.				
<p>Action plan:</p> <p>A-1. SWMD agrees to establish procedures to monitor billings in newly annexed areas. The major component in monitoring the billings is having access to customer information. SWMD will continue to work with representatives from CPS to establish the most appropriate method for accessing the SWMD customer data from the CPS master database. This proposed action plan will also apply to Recommendations "B", "C" and "D".</p> <p>A-2. SWMD worked with CPS to correct all customer billings which were identified as needing adjustment. All corrections have been completed.</p>					

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
B-1.	SWMD should establish procedures to monitor CPS billings to residents of exempt properties.	4	Accept	David Lopez, Solid Waste, COSA & Helen Madison, Audit, CPS	September 30, 2009
B-2.	SWMD should work with CPS to appropriately credit or refund residents who were mistakenly charged garbage, brush, and conversion fees.				
<p><u>Action plan:</u></p> <p>B-1. SWMD agrees to establish procedures to monitor billings in exempted areas. As stated in Recommendation "A", the major component in monitoring the billings is having access to customer information. SWMD will continue to work with representatives from CPS to establish the most appropriate method for accessing the SWMD customer data from the CPS master database.</p> <p>B-2. SWMD worked with CPS to correct all customer billings which were identified as needing adjustment. All corrections have been completed.</p>					
C-1.	SWMD should establish procedures to monitor billings to ensure that CPS does not bill residents of other cities for COSA solid waste fees.	4	Accept	David Lopez, Solid Waste, COSA & Helen Madison, Audit, CPS	September 30, 2009
C-2.	SWMD should work with CPS to appropriately credit or refund nonresidents who were charged COSA fees.				

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<p><u>Action plan:</u></p> <p>C-1. SWMD agrees to establish procedures to monitor billings which may occur for residents in other cities. As stated in Recommendation "A", the major component in monitoring the billings is having access to customer information. SWMD will continue to work with representatives from CPS to establish the most appropriate method for accessing the SWMD customer data from the CPS master database.</p> <p>C-2. SWMD worked with CPS to correct all customer billings which were identified as needing adjustment. All corrections have been completed.</p>					
D-1	<p>Municipal Code Revisions – Automated Service</p> <p>SWMD should work with COSA management to update the Municipal Code to include rates for additional carts.</p>	5	Accept	David Lopez, Solid Waste, COSA & Helen Madison, Audit, CPS	September 30, 2009
D-2	SWMD should work with CPS to develop procedures to monitor billings to residents with multiple garbage carts.				
<p><u>Action plan:</u></p> <p>D-1. Working through the City Attorney's office, SWMD will codify current practices to include rates for additional carts.</p> <p>D-2. SWMD will monitor billings for multiple garbage carts. As stated in Recommendation "A", the major component in monitoring the billings is having access to customer information. SWMD will continue to work with representatives from CPS to establish the most appropriate method for accessing the SWMD customer data from the CPS master database.</p>					
E-1	<p>CPS Administrative Fee Overcharge – Number of Billings</p> <p>SWMD should request a refund from CPS for the overcharged administrative fees.</p>	6	Accept	Jeff Pullin, Public Utilities, COSA & David Lopez,	September 30, 2009

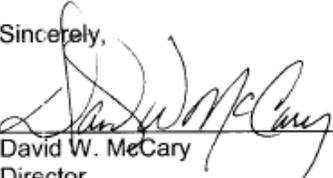
Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
E-2	SWMD should work with CPS to correct the SAP mechanism that tallies monthly billings used in the administrative fee computation.			Solid Waste, COSA & Helen Madison, Audit, CPS	
<p>Action plan:</p> <p>E-1. SWMD is working with the Public Utilities Division – Finance Department to request a refund for the overcharged administrative fees.</p> <p>E-2. Working through the Public Utilities Division, SWMD will request that CPS correct their SAP program that tallies monthly billings used in the administrative fee computation and that auditable confirmation of the correction be provided.</p>					
F	<p>CPS Transmittal of Payments</p> <p>SWMD should work with the Public Utility Division of the COSA Finance Department to revise remittance terms with CPS so that the payment made on the 5th of the month represents approximately one-half of the expected total monthly solid waste fee revenue.</p>	6	Accept	<p>Jeff Pullin, Public Utilities, COSA & David Lopez, Solid Waste, COSA & Helen Madison, Audit, CPS</p>	March 31, 2009
<p>Action plan:</p> <p>SWMD is working with the Public Utilities Division to address this recommendation. According to the Public Utilities Division, CPS has agreed in principal to revise the remittance terms so approximately one-half of the current fees collected are remitted by the 5th of the month and the remainder by the 15th of the month. The current Memorandum of Understanding will be revised to reflect this change.</p>					
G.	<p>CPS Administrative Fee Charges</p> <p>SWMD, with the assistance of the Public Utility Division of the COSA Finance Department, should perform an assessment of CPS's administrative charges to determine if they are reasonable.</p>	7	Accept	<p>Jeff Pullin, Public Utilities, COSA & David Lopez, Solid Waste, COSA</p>	June 30, 2009

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan:</p> <p>SWMD will work with the Public Utilities Division to perform an assessment of the administrative charges.</p>				

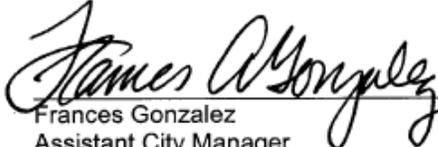
As outlined above, the major solution to several of the recommendations is having access to customer information. Although this customer database is not maintained by the City, SWMD continues to be proactive by working closely with CPS to find a suitable solution for access to the customer data. SWMD recognizes the concern that CPS has relating to the confidentiality of certain information and will continue to work to find a solution that is agreeable for both parties. Currently, a dialogue continues with various CPS representatives to develop a workable solution.

We are committed to addressing the recommendations in the audit report and the plans of action presented above.

Sincerely,



 David W. McCary
 Director
 Solid Waste Management Department



 Frances Gonzalez
 Assistant City Manager
 City Manager's Office