



## Seattle Public Utilities: New Water Services (New Taps)

### Why We Did This Audit

We conducted this audit in response to the alleged theft of over \$1 million of customer payments from SPU's water main extension and new taps services. Seattle City Councilmember Jean Godden asked us to review the payment processes for these two services. The purpose of the review was to determine (1) what new taps funds, if any, were stolen from SPU, and (2) what changes in controls were required to help deter fraud in the future. In September 2012, we issued a report on the water main extension payments process; this report covers the new taps payment process.

### How We Did This Audit

We tested a sample of 626 new taps services orders created from 2007-2011 to determine whether SPU received payments for the work performed. We also reviewed SPU's internal controls over the new taps payments process to ensure they provided reasonable assurance that customer payments were appropriately received, recorded, and deposited.

A copy of the full report can be obtained by calling (206) 233-3801 or visiting the Office of City Auditor's website: <http://www.seattle.gov/audit>

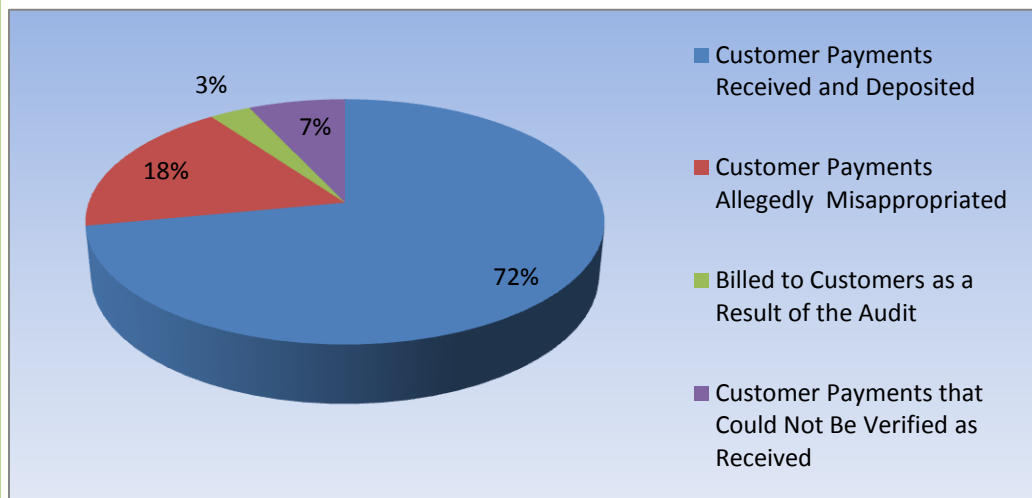
## INTERNAL CONTROLS REVIEW AND FRAUD RISK AUDIT

### Background:

Seattle Public Utilities' (SPU) new water services, often referred to as *new taps*, connect the service address to an existing or newly developed water main. SPU provides new water services to residential and commercial customers, as well as government agencies. New taps installations are often part of larger projects, such as water main extensions or construction projects (e.g., bridges and transit centers). New taps come in various sizes to provide water, fire, or irrigation services. SPU charges a fee for new taps installations that varies based on the tap size and type. In 2012, 640 new taps were installed by SPU, with approximately \$7 million collected in customer payments.

### What We Found:




We tested a sample of 626 new taps service orders created between 2007 and 2011. The testing results, summarized in number of taps service orders, are as follows:



As a result of our audit, SPU was able to subsequently bill and/or collect \$190,000 owed by customers for new taps work.

We concluded that, in general, SPU's current internal controls are adequate to provide reasonable assurance that customer payments for new taps work are received, recorded and deposited. However, we made five recommendations to improve the design of these controls.

### Summary of Recommendations:

-  SPU should finalize all draft policies and procedures related to the new taps process, including cash handling, billing approval, and service order creation.
-  SPU should define roles and responsibilities of all divisions involved in the new taps process to ensure the collection of customer payments and creation of new taps service orders is assigned to appropriate personnel. Implement additional procedures to help ensure that only authorized personnel create new taps service orders.
-  SPU should implement appropriate restrictions over the database applications used to process new taps orders, and help maintain the integrity and effectiveness of the new taps tracking tool.