

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
DEPARTMENT OF WATER RESOURCES
PERFORMANCE AUDIT
CUSTOMER BILLING AND REVENUE
RECONCILIATION PROCESS



Audit Committee Submittal Date: 08/14/2024

SUMMARY

Background

The Department of Finance performed a performance audit of the Sacramento County Department of Water Resources (DWR), customer billing and revenue reconciliation process.

Audit Objective

The audit was conducted to examine DWR's customer billing and revenue reconciliation process and evaluate the adequacy of DWR's internal controls over the customer billing and revenue reconciliation process for the period July 1, 2022 to October 31, 2023.

Summary

Based on our audit, except for one exception related to DWR's internal control activities, DWR's internal controls over contractor billing and revenue reconciliation processes appear adequate.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

June 12, 2024

Matt Satow, Director
County of Sacramento Department of Water Resources
827 7th Street, Room 301
Sacramento, California 95814

We have audited Sacramento County Department of Water Resources (DWR)'s internal controls over customer billing and revenue reconciliation processes for the period from July 1, 2022 to October 31, 2023.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*, issued by the Comptroller General of the United States of America. 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit was conducted to examine DWR's customer billing and revenue reconciliation processes and evaluate the adequacy of DWR's internal controls over customer billing and revenue reconciliation processes.

DWR's management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with Federal and State regulatory requirements, all applicable laws and regulations, and contractual agreements.

The scope of our audit included DWR's internal control activities and processes related to customer billing and revenue reconciliation for the period from July 1, 2022 to October 31, 2023.

The audit methodology utilized to conduct this performance audit included:

Internal Control Review

- We conducted a preliminary survey of DWR's internal control environment and identified key controls related to DWR's customer billing and revenue reconciliation.

Document Review:

- We reviewed DWR's written policies and procedures related to customer billing and revenue reconciliation.

Matt Satow, Director
June 12, 2024

Testing:

- We tested, on a sample basis, key internal control processes identified for DWR's customer billing and revenue reconciliation to verify that the controls are in place and functioning as intended.
- We tested \$129,605.75 out of \$6,549,657.96 for September 2022, \$17,763.19 out of \$886,558.05 for June 2023, and \$157,127.15 out of \$6,674,100.94 for September 2023 at ATT 1 - *Schedule of Revenue* to verify that the records are current and accurate.

Based on our audit, except for one exception related to DWR's internal control activities and processes described at ATT 2 - *Current Finding and Recommendation*, DWR's internal controls over contractor billing and revenue reconciliation processes appear adequate.

DWR's management response to the finding identified during our audit is described in ATT 2 - *Current Finding and Recommendation*. We did not perform procedures to validate DWR's management response to the finding and, accordingly, we do not express opinions on the response to the finding.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DWR's management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments:

ATT 1 – *Schedule of Revenue*
ATT 2 - *Current Finding and Recommendation*

County of Sacramento
Department of Water Resources
Customer Billing and Revenue Reconciliation Process
Performance Audit
Schedule of Customer Billing Revenue
For the Period July 1, 2022 to October 31, 2023

Month	Amount Tested	Amount
July 2022	\$	\$ 5,902,136.34
August 2022		4,083,169.48
September 2022	129,605.75	6,549,657.96
October 2022		4,135,667.89
November 2022		6,263,115.10
December 2022		3,517,222.54
January 2023		5,084,649.93
February 2023		2,897,890.22
March 2023		4,531,367.50
April 2023		2,846,920.63
May 2023		7,001,255.60
June 2023	17,763.19	886,558.05
July 2022 - June 2023	\$ 147,368.94	\$ 53,699,611.24
July 2023	\$	\$ 5,873,981.63
August 2023		4,059,583.06
September 2023	157,127.15	6,674,100.94
October 2023		4,196,261.80
July 2023 - October 2023	\$ 157,127.15	\$ 20,803,927.43

County of Sacramento
Department of Water Resources
Customer Billing and Revenue Reconciliation Internal Control
Performance Audit
Current Findings and Recommendations
For the period from July 1, 2022 to October 31, 2023

1. Procedure for Customer Billing and Revenue Reconciliation

Condition

The Department of Water Resources (DWR) has policies and procedures regarding customer billing and revenue reconciliation. However, we noted the following exception/deficiency:

- DWR did not have procedures in place for the revenue reconciliation worksheet to be signed off on and dated by the preparer and approver. The revenue reconciliations prepared by DWR staff for September 2022, June 2023, and September 2023 did not have preparers or approvers' signatures nor dates of completion and review. As such, we could not determine whether these reconciliations were properly completed and approved in a timely manner.

Criteria

Reconciliations should be signed off and dated by the preparer and approver to indicate it was completed and reviewed for accuracy in a timely manner.

Effect

Not having proper review and approval may lead to errors or discrepancies that may not be detected in a timely manner.

Recommendation

We recommend DWR add a procedure to sign off and date the reconciliations by the preparer and the approver evidencing proper completion and review.

Management Response

DWR maintains an electronic workflow process for standard monthly reconciliations. The main mechanism for tracking the status of monthly reconciliations is on a DWR Finance and Administration Division log of staff reports, reconciliations, and responsibilities by month. This division-wide log contains information on who is responsible for the task, who the prepared task is submitted to for review/distribution, the due date of that task, and a sign-off column for each month acknowledging when that task was completed. The revenue reconciliation worksheet for customer billing has been added as a line item on the division-wide log to ensure greater oversight over this task.

**Department of Water
Resources**
Matt Satow
Director



Divisions
Water Supply
Drainage
Administrative Services/Finance

County of Sacramento

June 12, 2024

Chad Rinde, Director
Department of Finance
700 H Street, Room 3650
Sacramento, CA 95814


Dear Mr. Rinde:

In connection with your performance audit engagement related to the Sacramento County Department of Water Resources (DWR) customer billing and revenue reconciliation processes for the period from July 1, 2022, to October 31, 2023, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement:

1. We are responsible for establishing and maintaining effective internal controls related to contractor billing and revenue reconciliation.
2. We acknowledge that we are responsible for complying with applicable laws, regulations, and standards.
3. We are not aware of any non-compliance with applicable laws, regulations, and standards.
4. We have communicated to you all information including events occurring subsequent to the end of your audit fieldwork, of which we are aware that may contradict the results of this audit.
5. There have been no communications from regulatory agencies, and other independent practitioners or consultants relating to DWR since the end of your audit fieldwork that would contradict the results of this audit.
6. We have disclosed to you all known matters contradicting the results of this audit.
7. We have provided you with access to all records that we believe are relevant to this audit.
8. We have responded fully to all inquiries made to us by you during this audit.

9. No events have occurred subsequent to October 31, 2023, that would require adjustment to, or modification of results of the agreed-upon procedures.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Satow', written over a horizontal line.

Matt Satow, Director
Department of Water Resources
County of Sacramento