DATE ISSUED: March 11, 2019
TO: Audit Committee
FROM: Public Utilities Department

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Council District(s): Citywide

OVERVIEW:
This March 2019 Activity Progress Report provides information on the Public Utilities Department’s (PUD’s) activities and actions taken in support of recommendations in the City Auditor’s Performance Audit of the PUD’s Water Billing Operations. This report provides an update on the recommendations completed during the months of October 2018 through February 2019 per the Department Management’s Response Memo (Attachment 1). This is the second update presented to the Audit Committee since the initial presentation on October 31, 2018.

PROPOSED ACTIONS:
This item is for information only.

DISCUSSION OF ITEM:
As a result of the City Auditor’s Performance Audit of the Public Utilities Department’s (PUD’s) Water Billing Operations, PUD has implemented several new initiatives to improve water billing accuracy and regain the public trust. This report demonstrates PUD’s commitment to secure and safeguard meter reading information as well as to strive to improve the accuracy of customer billing, per the City Auditor’s Recommendations 2, 3, 4, 6, 7, 8, and 9, listed below.

Recommendation 2: PUD should periodically assess the strength and effectiveness of their billing control environment. Specifically, to determine the effectiveness of current controls at a macro level, PUD should at least twice a year evaluate the number of implausible readings created and changed, in addition to the number of customers rebilled and the number of customer complaints. PUD could then assess if these numbers are high, identify causes, and adjust controls to address root causes, such as poor Meter Reader performance. Additionally, PUD should:

a) Post these metrics and the results of its assessment on its public website as soon as they become available, along with any actions taken to improve the control environment;
b) Add key performance indicators relating to billing accuracy to its annual budget; and
c) Report the results of this assessment and billing accuracy performance in its annual budget and to relevant committees and oversight bodies. (Priority 2)

In response to this recommendation, PUD has developed SAP system generated reports to evaluate the number of customer rebills, track customer complaints, and evaluate the number of implausibles, per the target implementation dates of September 2018, October 2018, and January 2019, respectively.

✓ This deliverable provides key data necessary to bi-annually evaluate the number of implausible readings, evaluate customer billing control environment statistics and establish Key Performance Indicators.
The Implausible Dashboard Report and Customer Complaint monthly statistics serve as a baseline used to for future assessment purposes related to billing accuracy performance and internal control activities. PUD strives to deliver timely, accurate bills to our customers and is working diligently to decline the number of outstanding customer billing cases.

Recommendation No. 3: The Public Utilities Department (PUD) should develop, track, and analyze employee performance metrics to increase the effectiveness of the meter reading program and reduce potential billing errors before they impact customers. Specifically, PUD should annually:

a) Develop performance metrics based on the time taken to complete each route and the average number of errors and estimations for that route;

b) Identify methods to reduce the number of errors and skipped readings per route;

c) Track specific meter reader performance against route averages and incorporate this into annual performance evaluations

d) Define acceptable boundaries of performance for each route and adjust them as necessary; and

e) Track metrics for each route over time, such as route difficulty, ease of meter access, which routes take longer, why they take longer, etc. and adjust as necessary for maximum efficiency.

In response, PUD has developed the draft Standard Operating Procedure (SOP), Tracking and Analysis of Meter Reading Performance Metrics, Procedure No. WTRBillOps-07 (Attachment 2), to increase the effectiveness of the meter reading program and reduce potential billing errors before they impact customers. The draft SOP is pending Labor Union approvals necessary to finalize and execute. For preview, highlights of the draft SOP are listed below:

- PUD has introduced four new meter reading key performance metrics which evaluate productivity specific to meter reading accuracy, use of meter reading handheld devices, and route assignments.
- This new SOP establishes Performance Goals for each key metric necessary to internally measure performance per industry standards.
- Enhanced internal control measures will require PUD supervisors to provide quarterly updates to their respective staff specific to meter reader performance as established in Performance Plans.
- PUD Program Management will review Performance Goals, annually, to determine if adjustments or modifications are required.

Recommendation No. 4: The Public Utilities Department (PUD) should re-evaluate its meter reading routes based on the metrics identified in Recommendation 3 and determine if routes should be split, assigned to specific meter readers, or reallocated based on more or less time needed. (Priority 2)

In response, PUD has re-evaluated meter reading routes based on the metrics identified in Recommendation No. 3 to determine if routes should be split, assigned to specific meter readers or reallocated based on more or less time needed, per the target implementation date January 2019. PUD worked in partnership with the City of San Diego, Department of Information Technology, GIS Section, to perform the initial analysis, testing and modeling of newly proposed optimized meter reading routes. Please refer to Attachment 3, memorandum dated February 15, 2019, which provided background information and documentation highlighting the meter reading route analysis and re-optimization activities performed, per the target implementation of January 2019.

Recommendation No. 6: PUD’s Customer Support Division should identify all skip codes that require a trouble code entry and those that require immediate supervisory attention (such as locating a meter). To that end, Meter Readers should enter a trouble code for every skip code that requires it. Also, PUD should update their Process Narrative (PN-0326) to align with revisions. (Priority 2).

In response, PUD executed new SOP, Use of Skip Codes and Trouble Codes in Handheld Devices and Supervisory Review, in addition to the highlights noted below, per the respective target implementation dates:

- PUD has prepared the analysis to identify and evaluate skip codes that require a Trouble Code Entry as well as calls for immediate Supervisory attention.
PUD updated Process Narrative PN-0326 which was formally approved and posted on the City’s intranet site effective September 25, 2018.

PUD has conducted a trial run, per target implementation of November 2018

PUD has fully implemented skip codes and continues to enhance meter reading control processes, per target implementation date January 2019

Recommendation 7: PUD should facilitate stronger coordination between the Customer Support Division and the Meter Shop to prioritize repairs and reduce the backlog of unrepaired meters that impact accurate and timely customer billing. Additionally, the Customer Support Division should communicate high priority trouble code entries to the Meter Shop to expedite critical maintenance. (Priority 2).

In response, PUD leadership team created and implemented the new SOP, Meter Maintenance Communications, per the target implementation date January 2019.

- This SOP demonstrates the Department’s commitment to cross-divisional coordination to jointly deliver timely responses to high priority meter repair work.
- SOP requires a sequence of meter maintenance meetings to formerly exchange information, prioritize work, and reduce the backlog of unrepaired meters.
- SOP requires constant program management oversight and PUD leadership review/engagement to ensure cross-divisional meetings are conducted, work is performed as expected and reported out via an accountability dashboard.

Recommendation 8: PUD’s Customer Support Division (CSD) should strengthen supervisory review of Meter Reader accuracy. Specifically, to facilitate a determination about whether skipping the meters was appropriate, and to facilitate remedial action for affected meters, CSD should revise the supervisor review form to include trouble code information in addition to skip code information. (Priority 2)

In response, PUD executed new SOP, Use of Skip Codes and Trouble Codes in Handheld Devices and Supervisory Review, Procedure No. WtrBllOps-03. Supervisors have continued to review daily reports and sign off on the review forms, per the targeted implementation date October 2018.

- This SOP strengthens supervisory review of Meter Reader accuracy.
- PUD developed the list of high priority trouble codes and updated the Supervisor Review Form to include Trouble Code information.
- PUD continues to improve daily reports to conduct assessment of meter reading operations.

Recommendation No. 9: The Public Utilities Department’s Customer Support Division (CSD) should review the discrepancies between the supervisor’s review forms and the underlying data for a sample of dates, including April 28, 2018, and take appropriate corrective action with respect to the identified employees. (Priority 2).

In response, PUD conducted the recommended review of discrepancies between the Supervisor’s Review Forms per the suggested sample dates and implemented appropriate corrective action, per the target implementation date October 2018. To improve this process, PUD is now using a Meter Read and Time Report and other information to perform quality reviews and make corrections prior to finalizing the Supervisor’s Review Form.

The Department is on target to complete the remaining recommendations provided by the City Auditor’s Office within timelines provided in the Management’s Response Memo. At this time, 80% of all deliverables per PUD Management’s target implementation dates have been completed, pending the City Auditor review and verification to mark as completed.

City Strategic Plan Goal(s)/Objective(s):
Goal #1: Provide high quality public service.
Objective #2: Improve external and internal coordination and communication.
Objective #4: Ensure equipment and technology are in place so that employees can achieve high quality public service.
Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods.
Objective #4: Foster services that improve quality of life.

Fiscal Considerations:
N/A

Charter Section 225 Disclosure of Business Interests:
N/A

Environmental Impact:
N/A

Equal Opportunity Contracting Information (if applicable):
N/A

Previous Council and/or Committee Actions:
This item will be presented to the Independent Rate and Oversight Committee on March 18, 2019.

Key Stakeholders and Community Outreach Efforts:
N/A

Matthew Vespi  
Interim Public Utilities Department Director

Johnnie Perkins  
Deputy Chief Operating Officer, Infrastructure/Public Works

Attachment(s):

1. Attachment 1—PUD Management Response dated July 26, 2018
2. Attachment 2 – CoSD Audit No. 3, January 2019 Deliverable, Draft SOP WtrBillOps—07
3. Attachment 3 – CoSD Audit No. 4, January 2019 Deliverable