



Audit of  
Water and Wastewater Services  
Delinquent Collection and  
Enforcement Process

Office of the County Auditor

Audit Report

**Robert Melton, CPA, CIA, CFE, CIG**  
**County Auditor**

Audit Conducted by:  
Jed Shank, CPA, CIA, Audit Manager  
Bryan Thabit, CPA, CGFO, Audit Senior

**Report No. 20-13**  
**May 21, 2020**



**OFFICE OF THE COUNTY AUDITOR**

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

May 21, 2020

Honorable Mayor and Board of County Commissioners

At the request of management, we conducted an audit of the Water and Wastewater Services Division's Delinquent Collection and Enforcement Process. Our audit objectives were to determine whether delinquent account enforcement activity is reasonable to ensure appropriate collection of billed amounts; and to determine whether account adjustments, settlements, and write-offs are performed in accordance with laws, rules, regulations, and good business practice.

Except as noted within this report, we conclude that delinquent account enforcement activity is reasonable to ensure appropriate collection of billed amounts; and account adjustments, settlements, and write-offs are performed in accordance with laws, rules, regulations, and good business practice. Improvement is needed over shut-off enforcement, authorization over account adjustments, and establishment of enforcement strategies. Additional Opportunities for Improvement are included in this report.

We conducted this 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 and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by the Water and Wastewater Services division throughout our review process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton  
County Auditor

cc: Bertha Henry, County Administrator  
Andrew Meyers, County Attorney  
Monica Cepero, Deputy County Administrator

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# TABLE OF CONTENTS

INTRODUCTION.....	1
Scope and Methodology .....	1
Overall Conclusion .....	2
Background .....	2
OPPORTUNITIES FOR IMPROVEMENT .....	4
1. Water Shut-off Enforcement is not Performed Timely.....	4
2. Account Adjustments are Performed Without Appropriate Authority or Oversight.....	7
3. Enforcement Strategies Should be Established. ....	9
4. Inactive, Uncollectible Tenant Accounts Should be Identified and Evaluated for Write-Off. ....	13
5. Relying on Property Liens as an Enforcement Mechanism is not Effective for all Accounts; Collection and Credit Reporting Agencies Should be Utilized. ....	15
6. Payment Plan Agreements with Customers do not Adequately Specify the Terms of Arrangement. .....	16

# INTRODUCTION

## Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

At the request of management, we conducted an audit of Water and Wastewater Services delinquent collections and enforcement process. Our audit objectives were to determine whether:

1. Delinquent account enforcement activity is reasonable to ensure appropriate collection of billed amounts.
2. Delinquent account adjustments, settlements, and write-offs are performed in accordance with laws, rules, regulations, and good business practice.
3. Any opportunities for improvement exist.

To determine whether delinquent account enforcement activity is reasonable to ensure appropriate collection of billed amounts, we analyzed records of delinquent accounts.

To determine whether delinquent account adjustments, settlements, and write-offs are performed in accordance with laws, rules, regulations, and good business practice, we reviewed settlements, fee waivers, payment arrangements, and other records of account adjustments.

We conducted this 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 and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was delinquent accounts as of March 31, 2019

and subsequent collection and enforcement activity relating to those accounts. However, transactions, processes, and situations reviewed were not limited by the audit period.

## **Overall Conclusion**

Except as noted within this report, we conclude that delinquent account enforcement activity is reasonable to ensure appropriate collection of billed amounts; and account adjustments, settlements, and write-offs are performed in accordance with laws, rules, regulations, and good business practice. Improvement is needed over shut-off enforcement, authorization over account adjustments, and establishment of enforcement strategies. Additional Opportunities for Improvement are included in this report.

## **Background**

Water and Wastewater Services (WWS) is an enterprise fund that provides safe drinking water for 59,000 customers, regional wastewater services for over 600,000 residents, and storm water and canal services that support aquifer recharge and flood management throughout Broward County. WWS operates within the Public Works Department, and is responsible for planning, construction, operation, maintenance, customer service, water management, and financial management.

The WWS Water Treatment Plant (Plant) was established in 1974, and is now a 95 million gallon per day facility that provides a regional wastewater treatment and disposal solution for Broward County's retail water customers and large users, including the cities of Coconut Creek, Coral Springs, Deerfield Beach, Lauderdale, North Lauderdale, Oakland Park, Pompano Beach, Tamarac, North Springs Improvement District, Parkland Utilities, and Royal Utilities.

The Plant operates a septage (septic tank waste) receiving facility, enforces an active industrial pretreatment program, manages an on-site National Environmental Laboratory Accreditation Conference (NELAC)-certified laboratory, and has ongoing construction projects such as a Fats, Oils and Grease (FOG) receiving station and a highly efficient, energy conserving, cogeneration facility which produces electricity from biogas. The Plant also received the Florida Water Environment Association (FWEA) 2016 Earle B. Phelps Award for "Outstanding Water and Wastewater Treatment Plant Performance," in the secondary treatment category. An aerial view of the water and wastewater treatment facility is shown in Figure 1.



**Figure 1:** Water and Wastewater Treatment Facility

WWS has an Administration Division that manages and directs the activities of the five WWS sections: Engineering, Business Operations, Information Technology, Operations, Water Management, and Waterways Management. The Administration Division also ensures that rates, fees, and charges are sufficient to support fund activities and debt service requirements while providing appropriate coverage to maintain or enhance bond ratings and to ensure environmentally safe water resources.

As shown in Table 1, WWS revenues for fiscal year 2018 totaled \$138 million and expenses totaled \$121.4 million with net income of \$16.6 million. Fiscal year 2019 revenues totaled \$142.3 million and expenses totaled \$122.5 million with net income of \$19.8 million.

**Table 1**  
**WWS Revenues and Expenses For Fiscal Years 2018 and 2019**  
*(In Thousands)*

	FY18	FY19
Revenue (Wastewater Treatment and Water Sales)	\$ 138,001	\$ 142,312
Expense (Personnel & Operating)	<u>121,412</u>	<u>122,541</u>
<b>Net Income (before Capital Contributions)</b>	<b>\$ 16,589</b>	<b>\$ 19,771</b>

Source: Prepared by the Office of the County Auditor using data from the Comprehensive Annual Financial Report for FY18 and unaudited data from the WWS Finance Division for FY19.

Customer rates and fees are approved by the County Commission and in accordance with the Broward County Administrative Code and the rates are posted on the WWS website and charged per account per month.

# OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

## 1. Water Shut-off Enforcement is not Performed Timely.

During our audit of water shut-off enforcement procedures, we noted the following concerns:

- A. Water service is not shut-off timely for delinquent accounts. We determined that four of 23 (15%) applicable delinquent accounts sampled were not shut-off within 60 days of unpaid billing. Table 2 below shows each of the four accounts identified and compares the actual shut-off (or account close) date to the 60-day criteria. For two of the accounts shown in Table 2, we extended the 60-day criteria to 20 days after the account had at least a \$101 balance.

**Table 2**  
**Untimely Shut-Offs Age of Account Before Shut-Off**  
*(in days)*

	Testing Criteria for Shut-off	Actual Shut-off	Difference
1	60	75	(15)
2	60	332	(272)
3	113	126	(13)
4	110	125	(15)

Source: Office of County Auditor analysis of delinquent accounts

According to management, for the first account in Table 2, staff issued a work order within the 60-day period requesting shut-off. The work order was not executed for approximately 20 days because shut-offs are performed by the meter readers during their routine cycles and the account was not scheduled for a meter read until 20 days after the work order issuance. For the second account in Table 2, the meter was located behind a locked gate that could not be accessed for shut-off.

We performed our sample selection from accounts that were between 4 and 18 months past due as of March 31, 2019. We limited our selection to accounts that were no more than 18 months past due in order to evaluate current WWS water shut-off practices. This consisted of 1,523 accounts totaling \$566,044 in delinquent charges.

There were an additional 11,069 accounts with \$7,587,855 in delinquent charges over 18 months past due as of March 31, 2019, which are addressed in Opportunity for Improvement No. 3. The total delinquent account balance of 8,153,899 (\$566,044 + \$7,587,855) consists of approximately \$3,669,255 in late fees and \$4,484,644 in base commodity (usage) charges. We estimate that up to \$672,697 would have been collected had accounts been shut off timely (15% x \$4,484,644).

Water shut-off is a common enforcement practice. Section 159.18, Florida Statutes, provides for the ability “to discontinue and shut off the supplying of any or all water, gas and sewer services to any users of the facilities of a water system, gas system or sewer system of such municipality for nonpayment of service charges”. We performed a survey of seven water utilities and found that all seven performed shut-offs of delinquent accounts. As shown in Table 3, the number of delinquent days before shut-off ranged from 30 to 45 days past due.

**Table 3**  
**Surveyed Utilities Delinquent Days Before Shut-Off**

Utility	Delinquent Days Before Shut-Off
Fort Lauderdale	30
Hollywood	45
Miami-Dade County	40
Oakland Park	40
Orange County	30
Palm Beach County	40
Pinellas County	45

Source: Office of the County Auditor survey.

Although there are desk guides with instructions for performing water shut-offs, WWS has no written policy specifying the criteria for when shut-offs are to be performed (i.e. number of days past due). According to management, the historical practice has been to perform shut-offs for any account over \$101 and not paid with 20 days of last billing. For example, an account with an unpaid billing of \$150 would be shut-off 20 days after the bill is issued and an account with an unpaid billing of \$75 one month and an unpaid billing



of \$75 the next month would be shut-off 20 days after the second bill is issued. As of November 2019, the account balance threshold was reduced from \$101 to \$51.

Without timely enforcement, delinquent amounts increase as accounts continue to utilize water without payment. The cost of providing service is born by other paying customers.

- B. Required deposit amounts may not be adequate. We found that 18 out of 24 (75%) applicable delinquent accounts sampled did not have adequate deposits to cover balances at final billing or shut-off. On average, deposits covered 66% of the remaining outstanding balance at final billing or water shut-off.

WWS requires a \$115 deposit for residential accounts. Deposits, together with enforcement policies, are established to reduce or prevent uncollectible past due amounts. If a deposit is adequate and a delinquent account is enforced timely, past due amounts should be covered by the customer deposit at the time of final billing or shut-off.

Inadequate deposit coverage for final billed or shut-off accounts is indicative that WWS does not maintain adequate deposit policy and/or timely enforcement of accounts. Account balances are more likely to become uncollectible if deposits do not adequately cover account balances at the time of final billing or shut-off.

**We recommend** management:

- A. Establish written policies and procedures for timely water shut-off, including appropriate handling of inaccessible meters, delays between work order issuances and actual shutoffs, and other barriers to timely shut-off.
- B. Evaluate current deposit policies, in conjunction with shut-off practices, to ensure that deposits cover account balances at the time of final bill or shut-off.

**Management's Response:**

- A. Agree in part. While there are policies and procedures in place for temporary disconnect/turn-offs (i.e., water shut-off), more detailed policies and procedures will be established to further document its current practices. As mentioned in the report, the threshold for delinquent balances subject to turn-off was reduced from \$101 to \$51 in November 2019. However, due to the COVID-19 crisis, turn-offs have been suspended and when the suspension is lifted, WWS will set the turn-off threshold back to \$101 and will evaluate this limit once the financial crisis associated with COVID-19 has passed.

Additionally, the turn-offs are done in accordance with meter read cycles to make those actions cost effective.

- B. Agree and completed. Public Works and WWS staff have reviewed current deposit policies and believe that the current deposit of \$115 for a single family 5/8" meter is the appropriate amount as it gives the County approximately 1.8 times the average monthly bill which is currently \$69.63. Further, raising this deposit amount higher could create a hardship on some of our customers especially during these times of financial crisis due to COVID-19. Additionally, WWS will review deposit adequacy on a yearly basis during our rate preparations.

To address the Auditor's finding that 75% of the delinquent accounts sampled did not have adequate deposits to cover balances at final billing or shut-off, this is often the result of minimum monthly charges and delinquency fees continuing to accrue even after water services are turned off.

## **2. Account Adjustments are Performed Without Appropriate Authority or Oversight.**

WWS performs account adjustments, fee waivers and settlements without appropriate authority. We identified the following concerns:

- A. WWS adjusted \$531,720 of vacant land fees for the period October 1, 2018 – April 29, 2019 without appropriate approval. According to staff, these fees pertain to the minimum monthly service availability charges and late fees that had accrued for seven vacant properties. WWS charges a fixed fee for service, regardless of consumption or occupancy. Locations may include vacant lots which have access to WWS services. Adjusted fees consisted of the minimum monthly charges for service availability plus interest. This fixed fee of \$55.60 per month along with late charges resulted in the total of \$531,720. Effective May 1, 2019, WWS implemented a written policy where the minimum monthly charges will not be assessed against vacant land.

- B. WWS entered account settlements without appropriate approval resulting in adjusted late fees totaling \$282,048 for the period October 1, 2018 – April 29, 2019. As shown in Table 4, these settlements pertained to 57 accounts totaling \$450,500 of which \$282,048 in late fees were waived and \$168,458 in base commodity charges were paid or agreed to be paid.

**Table 4 – Settled Accounts  
October 1, 2018 – April 29, 2019**

	Amount
Paid	\$ 168,458
Waived	\$ 282,048
<b>TOTAL</b>	<b>\$ 450,500</b>

Source: Office of the County Auditor analysis of settled accounts.

In addition to the \$282,048 in waived late fees, there is an additional \$594,096 in pending late fees under the payment plan program by which WWS has entered into settlement agreements to remove delinquent late fees and penalties pending the customer meeting the terms of the settlement agreements.

County policy requires County Administrator approval of settlements and fee adjustments up to \$15,000 and requires settlements to be submitted to the County Attorney’s Office for review. Specifically,

- The Code of Ordinances Part I, Chapter 1, Article IV, Division 1, Section 1-51.3, (e) states, “The County Administrator may settle, adjust, and otherwise compromise any Claim for which the Claim Amount does not exceed fifteen thousand dollars (\$15,000.00)”, and
- The County Administrator’s Policies and Procedures Vol.1, Chapter 4 states “All offers of settlement involving receivables must be submitted to the County Attorney’s Office for review”.

Performing account adjustments without the proper authority precludes adequate review to ensure that adjustments are reasonable and appropriate. Without adequate review, inappropriate transactions could be made, including fraudulent transactions such as reducing balances for related parties or applying credits to conceal misappropriation of cash receipts.

**We recommend** management ensure that settlements and fee adjustments are authorized by the County Administrator and reviewed by the County Attorney in accordance with County policies.

**Management's Response:** Agree. Whenever an account has a balance for a period of time, through on-going collection efforts, WWS has entered into payment arrangements or fee adjustments to settle the account to ensure the agency receives some form of payment. In this regard, WWS has consistently relied on the authority established in the Administrative Code that states that *the Water and Wastewater Fiscal Operations Division shall: (f) Define and implement systems and procedures for customer service activities, including but not limited to initiating service, **billing and collection for services provided**, and termination of service in accordance with County ordinances and resolutions.* For over the past twenty years and longer, WWS has utilized what they believe and prior County Attorney opinions supported that the Administrative Code granted staff this authority to issue fee adjustments including the waiving of delinquency fees which are similar to waivers of penalty fees.

Based on recent discussions with the County Attorney's Office, it was decided that WWS would work with the County Attorney's Office to draft changes to the Administrative Code to clarify this authority. It should be noted that in fee adjustment cases, the County has recovered most if not all of the commodity charge and has only waived the delinquency fee or a portion of the delinquency fee to ensure receipt of some payment rather than a total default.

### **3. Enforcement Strategies Should be Established.**

- A. WWS lacks a written methodology or clear practice for stratifying and prioritizing the enforcement and resolution of delinquent accounts.

Opportunity for Improvement No. 1 addressed current enforcement procedures over accounts delinquent between 4 and 18 months past due as of March 31, 2019. We further evaluated delinquent accounts that were over 18 months past due as of March 31, 2019 which consisted of 11,069 accounts with delinquent charges totaling \$7,587,855.

We found that WWS utilizes a Revenue Protection Team consisting of staff that are specifically tasked with enforcing delinquent accounts. They coordinate with the County Attorney's Office to issue certified collection letters, perform site visits, and work with customers to become current including assisting customers to establish payment plans. However, other than discussion and email correspondence, staff could not provide established procedures for how they prioritize and select accounts for enforcement and what enforcement procedures are applied. Staff reported that their focus for collections is based on both the highest amounts owed and the time frame with certain specification.

For example, if a customer owes \$10,000 and WWS has not had any contact with that customer for over 36 months, that account would be given less priority than accounts that owe \$10,000 but the last contact with WWS was one year ago, as the likelihood of contacting customers decreases as the accounts age.

Written procedures should identify how accounts are stratified and prioritized as well as the level of resources required for collection based on the nature of the account. Without written procedures, adequate guidance may not be provided on how to stratify and prioritize accounts. Collections staff resources may not be directed to the accounts with the highest priority. Further, a lack of procedures limits management’s ability to measure staff performance against established processes and objectives.

In order to better evaluate the delinquent accounts, we analyzed data from the billing system and stratified the accounts into selected categories as shown in Table 5.

**Table 5  
Delinquent Accounts Over 18 Months  
As of March 31, 2019**

	Count	Amount
Sewer Only	407 (4%)	1,889,334 (25%)
Top 100	100 (1%)	3,652,531 (48%)
Other	10,562 (95%)	2,045,990 (27%)
<b>TOTAL</b>	<b>11,069 100%</b>	<b>\$7,587,855 100%</b>

Source: Prepared by the Office of the County Auditor  
utilizing data from the WWS billing system.

Sewer-only are accounts that receive sewer service from WWS but water from another utility. Top 100 accounts are the 100 accounts with the largest balances. Section B and C below further discuss these account types.

- B. A small number of sewer-only accounts represent a large portion of delinquent account balances. As shown in Table 5, only 407 (4%) of the 11,069 delinquent accounts over 18 months as of March 31, 2019 are sewer-only accounts; however, these accounts make up \$1.9 million (25%) of the delinquent balances. These accounts should be specifically identified for enforcement but continue to receive service and accrue unpaid monthly charges.

Unlike other delinquent accounts which may be shut-off, sewer-only accounts remain active and continue to accrue monthly usage charges. Because sewer-only accounts remain active and continue to incur monthly usage charges, these accounts have a higher average balance per account than other delinquent accounts and reflect a larger portion of the overall delinquent balance.

According to staff, enforcement is difficult because sewer cannot be readily shut off like other accounts and the utilities that provide water are generally reluctant to coordinate combined billing and enforcement efforts with WWS which could negatively impact their collections. However, because of the relatively small number, these accounts are conducive to direct enforcement efforts including visits, collection notices, etc. Other escalated enforcement efforts may be possible as well for particularly problematic accounts.

A lack of enforcement results in uncollected balances and higher charges for other customers, especially with regard to sewer-only accounts as they continue to generate unpaid monthly charges.

- C. The 100 accounts with the highest balances reflect \$3.7 million (48%) of the total balance of delinquent accounts but only 1% of the delinquent accounts. These accounts should be specifically identified for enforcement. Because of the relatively small number, these accounts are conducive to direct enforcement efforts including visits, collection notices, etc. Other escalated enforcement efforts may be possible as well for particularly problematic accounts. A lack of enforcement results in uncollected balances and higher charges for other customers.

Management has escalated enforcement efforts for these delinquent accounts. Beginning in March 2019, management escalated collection efforts to include certified legal letters from the County Attorney's Office. Staff have continued to identify eligible accounts for increased collection efforts and, on February 25, 2020 (Agenda Item 19) the Office of the County Attorney proposed and received Board of County Commissioner (Board) approval "authorizing the assessment of liens" pertaining to 46 accounts with outstanding account balances of approximately \$2 million. Authorization was also obtained for the "Office of the County Attorney to take all necessary actions to collect unpaid balances on water and wastewater accounts on behalf of Broward County, including commencing litigation against the account owners to collect all amounts due to the County (including interest, attorneys' fees, and costs), and negotiating, approving, and executing settlements of the unpaid amounts as appropriate, subject to approval by the County Administrator of any reduction in total charges that exceeds \$25,000; and to authorize the County Administrator to approve settlements of unpaid water and wastewater

accounts where the reduction in total charges exceeds \$25,000, including de minimis settlements for residential accounts in exchange for connection of the property to the County's water or wastewater system, as applicable."

**We commend** management for pursuing increased enforcement efforts of delinquent accounts and **recommend** management:

- A. Establish a written methodology or clear strategy for prioritizing and enforcing delinquent accounts.
- B. Continue enhanced enforcement efforts to resolve outstanding delinquent accounts.

**Management's Response:**

- A. Agree. WWS staff will establish more clear and concise strategies for prioritizing and enforcing delinquent accounts and anticipates completion by December 2020. WWS has initially prioritized the recovery of the larger delinquent accounts first.
- B. Agree and implemented. WWS established a Revenue Protection Team in October 2018 which has accomplished the following:
  - Staff field visited and hand delivered 657 delinquency letters to customers
  - Staff sent approximately 1,000 certified delinquency letters
  - Staff established a partnership with the Broward County Attorney's Office to assist in collection efforts. This has resulted in approximately \$148,000 collected and payment arrangements in approximately \$100,000.
  - Since October 2018, these efforts have resulted in collections of approximately \$1,000,000 on 90+ days aged receivables.

This level of effort will continue.

In addition, recently the Board authorized the assessment of liens on delinquent water and wastewater accounts at its February 25, 2020 meeting (Item 19). Since that authorization, there have been 39 liens filed.

As indicated in the Auditor's Report, collection efforts are difficult on sewer-only accounts because of the difficulty in turning-off the sewer services. However, in such cases, WWS has worked with the County Attorney's Office to pursue liens on the delinquent customer consistent with the recently approved authority from the Board.

**4. Inactive, Uncollectible Tenant Accounts Should be Identified and Evaluated for Write-Off.**

Delinquent accounts include uncollectible accounts that should be written-off. We noted the following concerns:

- A. Tenant accounts (accounts opened by and assigned to a tenant rather than an owner) that have been inactive and uncollectible for over four years should be evaluated for write-off. While unpaid owner accounts (accounts assigned to the property owner) constitute liens on the property and should be held until collection, unpaid tenant balances do not constitute liens on the property and enforcement may not be taken with the owner. Therefore, collection is less likely for unpaid tenant accounts and those that have been inactive for over four years and deemed uncollectible should be evaluated for write-off.

The County Administrator’s Policies and Procedures Volume 1, Chapter 4, 2.1C6.f and 2.1E4 states that “Requests for write-off of all delinquent receivables that are outstanding for four (4) or more years shall be submitted through the Finance and Administrative Services Department via the Accounting Division to the Board of County Commissioners for approval.”

Of 10,562 delinquent accounts over 18 months past due that total \$2,045,990 as of March 31, 2019 (as shown in Table 5), Table 6 below shows that inactive tenant accounts make up 4,926 (47%) of these delinquent accounts totaling \$831,219 (41%).

**Table 6 – Delinquent Accounts Over 18 Months  
Net of Sewer-only and Top 100 Accounts  
As of March 31, 2019**

	<b>Count</b>	<b>Amount</b>
Inactive Tenant	4,926 (47%)	831,219 (41%)
Owner	5,636 (53%)	1,214,771 (59%)
<b>TOTAL</b>	<b>10,562 (100%)</b>	<b>2,045,990 (100%)</b>

Source: Prepared by the Office of the County Auditor utilizing data from the WWS billing system.

An evaluation of inactive tenant accounts based on age and collectability may result in a substantial amount eligible for write-off, further reducing the delinquent account balances.



Writing off older uncollectible accounts portrays a more accurate receivable balance and reduces administrative efforts in account management. Failure to write off uncollectible receivables results in additional administrative cost of record keeping and overstated receivable balances.

- B. The billing system does not accurately identify all inactive tenant accounts. We found that that 10 of 20 (50%) owner accounts sampled were incorrectly labeled. These accounts were labeled as owner accounts but should have been labeled as tenant accounts. These accounts were residential homes that were rented to tenants with the water bill in the tenant's name, not the property owner. As a result, there appears to be a greater number of tenant accounts than currently reported by the billing system. Table 6 shows that inactive owner accounts make up 5,636 (53%) of delinquent accounts over 18 months and total \$1,214,771 (59%); however, many of these are likely incorrectly labeled and should be tenant accounts. This impacts the number of inactive, tenant accounts eligible for write-off discussed in part A above.

**We recommend management:**

- A. Identify uncollectible tenant accounts in excess of four years and write-off in accordance with County policy.
  - B1. Identify and correct incorrectly coded accounts.
  - B2. Strengthen procedures to ensure that accounts are correctly coded.

**Management's Response:**

- A. Agree. WWS staff will work with the Accounting Division and the Finance and Administrative Services Department to write-off uncollectable tenant accounts in excess of four years in accordance with County Policy.
  - B1. Agree and completed. WWS staff has identified and corrected all tenant accounts that might have been incorrectly coded in the customer information system when the system was upgraded. The tenant account information was verified against the Broward County Property Appraiser's Office database, which was completed during this audit in the summer of 2019.
  - B2. Agree and completed. \INIJS staff has strengthened procedures to ensure tenant accounts are correctly coded.

**5. Relying on Property Liens as an Enforcement Mechanism is not Effective for all Accounts; Collection and Credit Reporting Agencies Should be Utilized.**

WWS has limited ability to enforce delinquent tenant accounts which, as shown in Opportunity for Improvement No. 4, comprise a significant portion of total delinquent accounts. Unlike accounts held in an owner’s name, unpaid tenant balances do not constitute liens on the property and enforcement may not be taken with the owner. Specifically, Section 180.135, Florida Statutes, states no municipality may refuse services or discontinue utility, water, or sewer services to the owner of any rental unit or to a tenant or prospective tenant of such rental unit for nonpayment of service charges incurred by a former occupant of the rental unit; any such unpaid service charges incurred by a former occupant will not be the basis for any lien against the rental property or legal action against the present tenant or owner to recover such charges except to the extent that the present tenant or owner has benefited directly from the service provided to the former occupant. Therefore, WWS cannot rely on the property lien process as a method of ensuring collection.

As shown in Table 7, based on our survey of seven utilities, four use collection agencies and two use credit reporting agencies.

**Table 7 – Surveyed Utilities  
Use of Collection and Credit Reporting Agencies**

Utility	Use of Collection Agencies	Use of Credit Reporting Agencies
Fort Lauderdale	✓	✓
Hollywood	✓	✓
Miami-Dade County	No	No
Oakland Park	No	No
Orange County	✓	No
Palm Beach County	✓	No
Pinellas County	No	No

Source: Office of the County Auditor survey.

Water and Wastewater Services opens tenant accounts in the tenant’s name as a courtesy to the owner of the property and there are no policies requiring tenant accounts to be in the

property owner's name. As shown in Opportunity for Improvement No. 4, tenant accounts make up a significant portion of delinquent accounts.

A lack of enforcement results in uncollected balances and higher charges for other customers.

**We recommend** management explore additional enforcement mechanisms including credit reporting and use of collection agencies.

**Management's Response:** Agree in part. WWS believes that property liens are still the most effective collection mechanism for the majority of accounts with outstanding balances. Notwithstanding, WWS staff will explore additional enforcement mechanism including credit reporting and use of collection agencies, for those accounts where property liens are not effective. Historically, the use of collection agencies was not an effective means of collections for WWS because they resulted in minimal results at a cost typically of around 30% of the past due balances. Additionally, WWS does not collect social security numbers (which are commonly used by credit reporting and collection agencies) to avoid the potential of identity theft. WWS will continue to work with the County Attorney's Office to examine other collection efforts including but not limited to targeting tenant delinquencies.

## **6. Payment Plan Agreements with Customers do not Adequately Specify the Terms of Arrangement.**

WWS utilizes a payment plan program allowing customers to pay past due balances over time; however, the payment plan agreements do not adequately specify the terms of the arrangement. Payment Arrangement Letters issued to customers do not specify the total amount of the arrangement, amount of each monthly installment, and other salient terms and conditions of the arrangement.

Payment plans should be accompanied by contractual documentation specifying the nature and terms of the plan for high dollar payment arrangements (such as amounts over \$1,000).

Without adequate information, payment arrangement terms may be unclear and lack adequate ability to enforce.

**We recommend** management develop a form Payment Arrangement Letter for arrangements exceeded a certain threshold (such as \$1,000), signed by the customer, that specifies salient information such as the total amount of the arrangement, amount of each monthly installment, and other salient terms and conditions of the arrangement.

**Management's Response:** Agree. WWS will develop, with the assistance of the County Attorney's Office, a formal Payment Arrangement Letter for any payment arrangement in excess of \$1,000 including acknowledgement of terms and conditions by customer signature.