

DEPOSITION OF ROBIN HOWE, 5/5/16

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
KING COUNTY

MARIA LUISA JOHNSON, CARMELIA)
DAVIS-RAINES, CHERYL MUSKELLY,)
PAULINE ROBINSON, ELAINE SEAY-DAVIS,)
TONI WILLIAMSON, AND LYNDA JONES,)
)
Plaintiffs,)
)
vs.) No. 15-2-03013-2 SEA
)
SEATTLE PUBLIC UTILITIES, a)
department of the CITY OF SEATTLE,)
)
Defendant.)
)

DEPOSITION UPON ORAL EXAMINATION OF
ROBIN MARIE HOWE

Thursday, May 5, 2016
9:00 a.m.
705 Second Avenue, Suite 1100
Seattle, Washington

Reported by Marlis J. DeJongh, CCR, RPR
Lic. No. DE-JO-NM-J498K9

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A P P E A R A N C E S

For the Plaintiffs: JOHN P. SHERIDAN, Esq.
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Seattle, Washington 98104

For the Defendant: PORTIA R. MOORE, Esq.
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-and-
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Court Reporter: MARLIS J. DeJONGH, CCR, RPR
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Seattle, Washington 98101

Also Present: TONI WILLIAMSON
CARMELIA DAVIS-RAINES
LYNDA JONES
ELAINE SEAY-DAVIS
GUILLEMETTE REGAN

1 I N D E X O F E X A M I N A T I O N

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Page(s)

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Examination of Robin Howe

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By Mr. Sheridan

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By Ms. Moore

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I N D E X O F E X H I B I T S

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No.	Description	Marked	Identified
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13

14

1. Writeup of Meeting

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2. Job Start and Termination
Form

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16

3. 1/4/13 E-mail

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4. 3/9/11 E-mail

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5. 4/14/11 E-mail

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6. 7/12/11 E-mail

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7. (Exhibit withdrawn.)

4

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8. 5/14/12 E-mail

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9. CCSS Data Mining Investigation

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10. SPU CCSS Transactions and
Customer Adjustments Review

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11. 4/1/14 Memo

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23

1 (Exhibits 1 through 11 marked for identification.)

2

3 ROBIN MARIE HOWE, deponent herein, being first duly
4 sworn on oath, was examined and
5 testified as follows:

6

7

EXAMINATION

8

BY MR. SHERIDAN:

9

Q. Please state your full name.

10

A. Robin Marie Howe.

11

Q. Ms. Howe, what is your home address?

12

A. [REDACTED]

[REDACTED]

14

Q. And with whom are you employed?

15

A. City of Seattle.

16

Q. What do you do there?

17

A. I work for the city auditor's office and I'm an

18

auditor. You want my official title?

19

Q. Yes, please.

20

A. Manager of Internal Controls, Assistant City

21

Auditor.

22

Q. How long have you been the manager of internal

23

controls?

24

A. The title change, I haven't had that -- I don't

25

know, three years or four years, but...

1 Q. Back in the 2010 to say 2012 timeframe, what was
2 your job title?

3 A. Assistant city auditor.

4 Q. In that timeframe to whom did you report?

5 A. David Jones.

6 Q. To whom do you report today?

7 A. David Jones, city auditor.

8 Q. And you know Guillemette Regan?

9 A. Yes.

10 Q. How do you know her?

11 A. I know her from conducting audit work for SPU for
12 several years.

13 Q. Back in 2010 did she contact you to help in
14 conducting some work regarding information that she had
15 learned about two employees and how they were using their
16 time at work?

17 MS. MOORE: Vague and ambiguous.

18 MR. SHERIDAN: Yes, it is.

19 Q. Can you answer that?

20 A. Can you be more specific?

21 Q. Yes. Let's look at the document.

22 This is marked as Exhibit 1. Take a look at that.

23 Take a minute to look at this and tell me if you
24 recognize it.

25 A. Yes, I recognize it.

1 Q. Is this a document that you authored?

2 A. Yes.

3 Q. In the usual course of business? It's one of your
4 jobs to do this?

5 A. Correct.

6 Q. And tell us what it is.

7 A. It's a writeup of a meeting. In this case it was a
8 phone meeting with Guillemette Regan.

9 Q. Were you basically making contemporaneous notes of
10 your conversation with Ms. Regan which occurred on or about
11 December 7, 2010?

12 A. I'm sorry. Contemporaneous, you mean at that time?

13 Q. At the same time.

14 A. Yes.

15 Q. So could you tell us, it says Audit Title and
16 Number. What does that mean on the very top?

17 A. Yes. We give every project that our office works
18 on, we give it a number, we give it a title.

19 Q. And this was called 2011-03, was the number?

20 A. Yes. That number may have changed over time. And
21 the title, I believe, that certainly changed, but this was
22 the title at the time of inception.

23 Q. And this was a fraud investigation, was it not?

24 MS. MOORE: Vague and ambiguous.

25 MR. SHERIDAN: You can answer.

1 MS. MOORE: You can answer if you know.

2 Q. If the attorney makes an objection, she's just
3 doing it for the record. You should still answer unless she
4 instructs you not to answer. And she'll only instruct you
5 not to answer if it's pertaining to attorney-client
6 privilege.

7 A. This was -- our office, we conduct audits and we
8 also do a variety of other projects. In this case SPU
9 contacted our office to ask that we assist them with this
10 investigation.

11 Q. So basically, without going into detail, it
12 involved two employees, right?

13 A. That was what I was told by Guillemette.

14 Q. As you sit here today, do you know the names of the
15 two employees that are identified as employee No. 1 and
16 No. 2 in this document?

17 A. I remember the name of employee No. 1. I offhand
18 do not remember the name of employee No. 2. It would
19 certainly be documented in our work.

20 Q. Who is No. 1?

21 A. No. 1 was Joe Phan.

22 Q. I'm handing you a document marked Exhibit 2 and ask
23 if you recognize this.

24 A. Yes, I do recognize it.

25 Q. What is that?

1 A. Whenever we start a job, an audit job, either
2 consulting job or a regular audit, we prepare this
3 document, it's required. It just talks about what we are
4 thinking that we'll be doing with that project at the
5 beginning.

6 Q. And can you tell us, for what purpose -- strike
7 that.

8 For what audit was this prepared?

9 A. For the one that it says there at the top. The
10 project ID, SPU City Light Customer Account Adjustments.

11 Q. So that's a different investigation than the one
12 that was being conducted for Exhibit 1, correct?

13 A. This one is not an investigation. This is an
14 audit.

15 Q. Is it fair to say --

16 A. Well, this project started as -- it morphed into
17 different things. We started assisting SPU with their
18 investigation. And then at some point during that work we
19 decided to conduct an audit of internal controls related to
20 utility account transactions. So I can't tell you whether
21 or not I went back and prepared another job form.

22 Q. So basically the document marked Exhibit 1 that has
23 the audit title of 2011-03, that, even though the numbers
24 are the same, the assignment is different in your mind?

25 MS. MOORE: Assumes facts not in evidence,

1 mischaracterizes the witness's testimony.

2 MR. SHERIDAN: You can answer.

3 A. This job form probably applies to both pieces of
4 work.

5 Q. Both Exhibit 1 and Exhibit 2?

6 A. Yes. So the assistance with the investigation for
7 SPU and then our own internal controls audit.

8 Q. When you did your internal controls audit were you
9 looking for fraud?

10 MS. MOORE: Vague and ambiguous.

11 MR. SHERIDAN: You can answer.

12 A. We were looking at the process. We had a third
13 project too and this job formulates to that as well.

14 Q. Please explain.

15 A. The third project was called data mining. At one
16 point, in the early phase they were separated. Later on we
17 rolled them all into one.

18 The data -- do you want to know about the data mining?

19 Q. Yeah, but one second.

20 So when you say we rolled them all into one, you mean
21 the job that's outlined in Exhibit 1, the job outlined in
22 Exhibit 2 and the data mining?

23 A. Correct.

24 Q. So tell us, what was the data mining and how did
25 you get involved in that?

1 A. No, that's not quite correct because the
2 investigation assistants, we just did that and it was under
3 SPU's jurisdiction. So we assisted them for a period of
4 time.

5 Q. That's Exhibit 1?

6 A. So that was a separate piece of work. So I want to
7 make sure that that --

8 MS. MOORE: Robin, you need to let Mr. Sheridan
9 finish the question before you answer. The court
10 reporter --

11 THE WITNESS: Okay.

12 MS. MOORE: And you need to let me finish because
13 the court reporter can't take down two people talking at
14 the same time.

15 Q. Just to clarify, so Exhibit 1 was an investigation.
16 And that was actually, that was under the main control of
17 SPU?

18 A. Definitely it was under their control.

19 Q. And you were just helping out?

20 A. That's correct.

21 Q. How about the description as outlined in
22 Exhibit 2. Was that your audit?

23 MS. MOORE: Assumes facts not in evidence,
24 mischaracterizes the witness's testimony, asked and
25 answered.

1 MR. SHERIDAN: You can answer.

2 A. This job form here probably relates to all three of
3 those pieces of work, but we went on to conduct -- well, in
4 fact, I think it lays it out here.

5 This job formulates to the work done by our office
6 because it listed out in the bullet points under other
7 requested and related -- sorry, that's other requested and
8 future projects. So that's talking about our audit and our
9 data mining right there.

10 Q. And the work that was described in Exhibit 2, was
11 that because you were asked to do it by SPU or for some
12 other reason?

13 A. We were not asked to conduct the internal controls
14 review.

15 Q. What caused you to decide to do that?

16 A. In working on the investigation project I decided
17 we needed to do that.

18 Q. What was your concern?

19 A. And I discussed it with the city auditor.

20 Q. What was your concern?

21 A. My concern was about the process.

22 Q. Please explain.

23 A. I thought there were issues with the internal
24 controls with the process, so I reported to the city auditor
25 that we should conduct an audit and he agreed.

1 Q. What internal controls did you consider
2 problematic?

3 A. This is going back several years.

4 Q. Do the best you can.

5 A. Controls over making adjustments to utility
6 accounts.

7 Q. So, for example, in the call center, being able to
8 work on your own account?

9 A. Correct.

10 Q. And being able to work on the account of family and
11 friends?

12 A. Correct.

13 Q. You had identified as early as 2010 that that was
14 happening. Is that fair to say?

15 MS. MOORE: Assumes facts not in evidence,
16 mischaracterizes the witness's testimony.

17 MR. SHERIDAN: You can answer.

18 A. SPU was aware of this and I was aware of it by
19 working with SPU.

20 Q. And so once it came to your attention that people
21 were making adjustments on their own accounts and friends
22 and family, you went to your boss and said, we need to do an
23 audit?

24 A. Correct.

25 Q. And then tell me, how long does it take to get the

1 audit going?

2 MS. MOORE: Vague and ambiguous.

3 A. It depends on the audit and it depends on what else
4 you're doing at that time.

5 Q. In this case, how long did it take you from the
6 time you talked to your boss until the time you started
7 auditing?

8 A. I don't think it took very long to start it. It
9 took a long time to finish it, as I'm sure you know.

10 Q. Yes. Can you tell us how mining wound up becoming
11 one of the things you were doing?

12 A. I also told my boss that I wanted us to do a
13 comprehensive data mining project. So we looked at every
14 single employee with update level access to the utility
15 accounts, and he agreed with that and we did that. And a
16 different person was in charge of that piece of work
17 initially.

18 Q. Who was in charge of that initially?

19 A. Megumi Sumitani. I provided guidance but she led
20 that project initially.

21 Q. Tell me, when the data mining was being done, was
22 that looking at anyone with CCSS read/write access?

23 A. Correct.

24 Q. Can you tell me, was that city wide?

25 A. Yes.

1 Q. And approximately how many persons did you identify
2 with CCSS --

3 A. That I cannot tell you.

4 Q. -- read/write access?

5 MS. MOORE: You need to let him finish.

6 THE WITNESS: Sorry.

7 Q. Was it hundreds?

8 A. Yes.

9 Q. Once you identified that there were hundreds of
10 city wide with CCSS read/write access, can you tell us, did
11 you talk to anyone about broadening your audit to cover all
12 of those persons?

13 MS. MOORE: Assumes facts not in evidence, vague
14 and ambiguous.

15 MR. SHERIDAN: You can answer.

16 MS. MOORE: If you know.

17 A. We did cover all the persons.

18 Q. You did?

19 A. We did a comprehensive data mining of all persons
20 with update level access to CCSS.

21 Q. What were you looking for?

22 A. We were looking for people that made -- there were
23 certain specific things. I can't remember all of them. You
24 can get more information when you depose Megumi, but we did
25 look for persons who made credit transactions on their own

1 accounts.

2 We had the HR IS database, so we also pulled off, I
3 think we pulled off emergency contacts and dependents, and
4 we did an address match on the employee's address to the
5 address of the utility account, and that way we could check
6 every single person, whether they worked for City Light,
7 SPU, Department of Neighborhoods, or HSD, if they had made a
8 credit entry on an account of their own or one of those
9 categories I just mentioned.

10 Q. Is it fair to say --

11 A. We also looked at payment plans, extending payment
12 plans.

13 Q. Did you look at anything else?

14 A. I think there were a couple of other things.
15 Reversals, reversal of a fee.

16 Q. And is it fair to say that you identified persons
17 working in all the departments, not just SPU?

18 A. Yes.

19 Q. And once you had that data, what did you do with
20 it, to your knowledge?

21 A. Well, you mean once we had --

22 Q. Once you identified --

23 A. -- the results of persons?

24 Q. Yes.

25 A. Yes, we compiled a list for City Light and we

1 complied a list for SPU, and we turned it over to the
2 utilities and we asked them to deal with it.

3 Q. And how come just those two departments? Weren't
4 there other departments that had people that had read/write
5 access that could --

6 A. There were two other departments I'm aware of.
7 HSD, because of their utility discount group, and Department
8 of Neighborhoods.

9 HSD, when there was only one person that was identified
10 who had done something like, I don't know, extended a
11 payment plan and they were on an account, and we spoke with
12 HSD about it and that person had retired already.

13 Q. What about Neighborhood?

14 A. There was no one in it. I think it might be that
15 we thought they had read/write access but they might have
16 only had read access. But that I can't tell you for sure.

17 Q. So when you took your information to Seattle City
18 Light, what, if anything, happened, to your knowledge?

19 MS. MOORE: If you know. I'm going to instruct you
20 not to guess.

21 A. We did followup with each utility and we did speak
22 with the director over the customer care branch at City
23 Light.

24 Q. And who was that?

25 A. Kelly Enright. She was our prime contact for this.

1 And we just asked what they had done and whether they had
2 taken action. So whether they had researched and -- but we
3 did not -- our involvement stopped at the point of running
4 the data and getting the list.

5 Q. To your knowledge, did Ms. Enright --

6 A. In both cases it was a short list.

7 Q. Did Ms. Enright, to your knowledge, conduct any
8 further investigation?

9 MS. MOORE: If you know. I'm going to instruct you
10 not to guess.

11 MR. SHERIDAN: To your knowledge.

12 A. She told us that she did.

13 Q. She told you what?

14 A. She told us she researched each situation.

15 Q. Did she tell you anything else?

16 A. I think she might have, but the person who was
17 working on this in our office, her name was Mary Denzel. So
18 I cannot remember the specifics of what City Light or what
19 Kelly Enright did, but they informed us that they had
20 researched each situation.

21 Q. And did she tell you the outcome of that research?

22 A. I think she told that to Mary Denzel and --

23 MS. MOORE: I'm going to instruct you not to guess.
24 If you know, that's fine.

25 A. I don't know.

1 Q. Then tell me what happened when you were presented
2 this information to SPU.

3 A. It was similar. We presented the information to
4 SPU and they said they would look into it.

5 Q. Who was your contact there?

6 A. Guillemette Regan, I believe, and -- yeah.
7 Possibly customer care branch director.

8 Q. Who was that?

9 A. I would think we -- I believe we passed it to
10 both.

11 Q. Do you remember who that person was?

12 A. Susan Sanchez.

13 Q. When you say we passed it, did you pass something
14 that was in writing?

15 A. I think -- I'm not 100 percent sure but I think
16 Mary Denzel had a meeting.

17 MS. MOORE: If you don't remember, I want you to
18 say you don't remember. I don't want you to assume.

19 Q. But in this particular fact pattern it's okay if
20 you speculate. Your lawyer will object to speculation, but
21 go ahead and tell me what you think is more likely than not
22 the case.

23 MS. MOORE: If you don't know, I don't want you to
24 guess.

25 MR. SHERIDAN: Go ahead.

1 Q. On a more likely than not basis --

2 A. I am not 100 percent sure. I do not think we would
3 have done that in an e-mail.

4 Q. You would have actually passed --

5 A. I think --

6 Q. -- a document -- go ahead.

7 MS. MOORE: I'm instructing you not guess.

8 Q. Tell us what your practice was.

9 A. Our normal practice for something like this?

10 Q. Yes.

11 A. Normal practice for something would be to have a
12 meeting.

13 Q. And actually pass it along, paper or something
14 electronic?

15 MS. MOORE: That assumes facts not in evidence,
16 mischaracterizes the witness's --

17 A. No, I wouldn't --

18 MS. MOORE: Let me finish.

19 Assumes facts not in evidence, mischaracterizes the
20 witness's testimony.

21 Q. You can answer.

22 A. I do not think it would have been electronic.

23 Q. It would have been paper?

24 MS. MOORE: Assumes facts not in evidence,
25 mischaracterizes the witness's testimony.

1 A. I think it would have been verbal.

2 Q. Oh, verbal. Thanks.

3 I'm going to show you a document that's marked as
4 Exhibit 10 today and ask if you --

5 MS. MOORE: This is 10 to whose deposition, Jack?

6 MR. SHERIDAN: It's her deposition. We just
7 premarked.

8 Q. Take a minute and look at this and tell me if you
9 recognize it.

10 MS. MOORE: Take your time.

11 A. Yes, I recognize it.

12 Q. What is this?

13 A. This is something I keep for myself when I'm
14 conducting work, as I will call it a laundry list of
15 potential issues. It is not any kind of final. It is not
16 vetted.

17 We have not -- when I put things on this list we have
18 not conducted all the audit work we need to to determine
19 whether or not something is an issue or not an issue.

20 Q. So this is a document you authored?

21 A. Correct.

22 Q. And is it fair to say you authored it in connection
23 with the audit you've been discussing today?

24 A. Yes.

25 Q. Does it basically represent your notes of facts

1 based on your research and communications with third
2 persons?

3 MS. MOORE: Mischaracterizes the witness's
4 testimony, asked and answered.

5 MR. SHERIDAN: You can answer.

6 MS. MOORE: Go ahead.

7 A. It's a laundry list of things that come up while
8 I'm working. It's, however, not vetted in any way. By the
9 time we get to the formal audit report everything has been
10 vetted, checked, we verify that we comply with audit
11 standards. When I put things on this, it's just a work in
12 progress and lots of things will fall off of it.

13 Q. It's true, is it not, that you're basically writing
14 things down so you don't forget, in part?

15 MS. MOORE: Mischaracterizes the witness's
16 testimony, assumes facts not in evidence.

17 MR. SHERIDAN: You can answer.

18 A. Yes, I write it down to make sure I check things
19 out.

20 Q. Can we tell when you wrote this, when you made
21 this?

22 A. No, you cannot, as far as I know. It's ongoing.
23 It could be started -- it could be ongoing for a year.

24 Q. So this document isn't something you sat down and
25 did in a day. This represents notes over time?

1 A. Correct.

2 MS. MOORE: And you need to give verbal responses
3 because the court reporter can't take down nonverbal
4 responses.

5 Q. Let's look at the first bullet under Customer
6 Service and CCSS Procedures and Policies. You write, SPU
7 customer service policies and procedures on CCSS
8 transactions and protocols are not adequate.

9 You wrote that, right?

10 A. Where are you?

11 Q. At the very top.

12 A. Yes, I did write that.

13 Q. And you wrote that because at the time that was
14 your opinion?

15 MS. MOORE: Assumes facts not in evidence.

16 A. That was something I had as a possible concern and
17 I wanted to follow up further on it.

18 Q. You write in the first bullet below that, at the
19 time the work for this review was initiated there was no
20 documented policy within the CCSS policies and procedures
21 manual that stated employees were not allowed to enter
22 transactions and on their own utility account.

23 And you wrote that, right?

24 A. I did write that. And that is an example of
25 something that was not accurate, and I later found out that

1 was not accurate and that's why you don't find that
2 statement in the formal report.

3 Q. When you say the formal report, do you mean the
4 audit?

5 A. The audit report issued. I don't remember when it
6 was issued. It's called CCSS Control -- CCSS Utility
7 Account Transaction Controls, or something like that.

8 Q. I'm going to hand you what's premarked as
9 Exhibit 11 and ask you if recognize this document.

10 A. This is not my report. This is Guillemette's
11 report.

12 Q. So this is a document that was -- Exhibit 11 is a
13 document that was created by Ms. Regan, to your knowledge?

14 A. As far as I know, to my knowledge. So that's not a
15 report I was referring to.

16 Q. So what report were you referring to, if you could
17 just describe it for us?

18 MS. MOORE: Asked and answered.

19 A. Well, do you have it? We issued a report on
20 internal controls over utility account transactions.

21 Q. What year did you issue it?

22 A. Gosh --

23 MS. MOORE: If you recall.

24 A. I think it was 2014.

25 Q. Did you review any documents to refresh your

1 recollection for today's deposition?

2 A. No. That's why I'm not recollecting all these
3 things.

4 Q. So you said you learned that this first bullet that
5 you wrote down was wrong. What led you to believe later on
6 that it was wrong?

7 A. We did further audit work and we found evidence of
8 the policies and procedures that covered this very point.

9 Q. And this document that is an ongoing document, it
10 was certainly started -- would you agree it was started in
11 2010, or can't you tell?

12 MS. MOORE: Assumes facts not in evidence. If you
13 know.

14 A. It could have been started in 2010 but more likely
15 2011.

16 Q. And are you aware of CS 106, that policy SPU put
17 out?

18 A. That rings a bell.

19 Q. And are you aware of whether or not it came out
20 sometime in March of 2011?

21 A. I'm not aware when that policy came out.

22 Q. All right.

23 A. Or the exact nature of that policy.

24 Q. So tell us, to the best of your recollection, where
25 you got information that this -- that your understanding in

1 this first bullet was wrong?

2 MS. MOORE: Vague and ambiguous.

3 A. I probably -- I don't know. It might have been
4 from talking with people, but it was inaccurate, and that's
5 why it was not included in our formal report.

6 Q. How do you know it was inaccurate?

7 A. Because we verified that there were policies and
8 procedures in place.

9 Q. The final report, did you author it?

10 A. Yes.

11 Q. Is it fair to say you got those policies and
12 procedures that you say were in place, you got that from
13 Ms. Regan?

14 A. No.

15 Q. Do you know where you got it from?

16 A. We would have gone to an official policy source.

17 Q. Like what?

18 A. Either on the SPU website or the City Light website
19 or the training manual or a call center policy site. We
20 would have not just asked for it from someone at SPU to ask
21 for someone to give it.

22 Q. Look at the second bullet. It says, Although all
23 SPU and SCL employees and vendors with access to customer
24 utility accounts in CCSS must sign a confidentiality
25 agreement form, the agreement doesn't prohibit employees

1 from working on their own accounts, nor does it address
2 employees handling accounts of their friends and relatives.

3 And that's something you wrote because at the time you
4 believed it to be true, correct?

5 A. I assume, but I cannot remember. But, again, the
6 confidentiality agreement is a separate form and we did
7 verify that there were policies and procedures, which is why
8 I did not report on that in the final report.

9 Q. So, but you would agree -- just answer my question.
10 At the time you wrote this you believed it to be true?

11 A. If I wrote this I would have believed it to be
12 true.

13 Q. But you did write this, right?

14 A. Probably. I can't -- I worked on this audit with
15 other people. So another team member could have updated it
16 as well.

17 Q. Is there any way to tell if you wrote a specific
18 word or a team member wrote it?

19 A. Not that I know of unless you're talking about
20 computer forensics.

21 Q. Can you tell me whether --

22 A. I mean, maybe you could get to it that way.

23 Q. So this document was not just your own document,
24 this was a document for your team to use, right?

25 A. Yes, but I was the primary author.

1 Q. So just by looking at writing style, can you tell
2 if that second bullet is your writing style?

3 A. No, I couldn't tell you that.

4 Q. Who else could have inputted on this document?

5 A. Megumi Sumitani, Mary Denzel.

6 Q. Let's look at the third bullet. It says, the call
7 center has -- strike that.

8 Before we talk about that, you said this was sort of a
9 document that was like a work in progress, right?

10 A. Absolutely, yes.

11 Q. So if you found something was not accurate you can
12 actually delete something, right?

13 A. I don't ever go back and -- this is just a working
14 document, it's not an end product.

15 Q. So this is sort of like a journal where you work
16 forward?

17 A. Correct.

18 Q. You don't delete things in the past?

19 A. No.

20 Q. You're agreeing with me?

21 A. I don't go back and update this document because
22 it's not a formal product. It's not a deliverable.

23 Q. So this shows how you felt at the time, and as we
24 read on we may see that your views change?

25 A. Yes. As we conduct more audit work, we find out,

1 we do, we go through all our steps, follow the standards,
2 and we come to our conclusion, verification whether
3 something is an issue or not an issue.

4 Q. In the next bullet --

5 A. This is a placeholder to make sure I don't forget
6 to look into a potential issue.

7 Q. The next bullet says, The call center has a policy,
8 in parentheses, is it really a policy if it hasn't been
9 written down in a formal policy document. Isn't it more
10 accurate to describe it as a practice.

11 And then it goes on to say, to waive one \$10 delinquency
12 fee for a customer over the life of their account, and while
13 this policy has been communicated to employees verbally and
14 in training, it has not been documented.

15 Is that an accurate statement.

16 A. And now that -- the things that are in the
17 different font, that is someone else from the audit team
18 reviewing this document and providing their comments. Those
19 are not my comments.

20 Q. So your comment are the ones that are not in
21 parentheses?

22 A. Correct.

23 Q. Got it. Thanks.

24 A. So I think, I believe that would be Mary Denzel,
25 and then she asked questions. So it's like, so can you

1 follow up further to make sure, do you really, you know...

2 Q. So the stuff that's in the regular outside the
3 parentheses is your writing and then Mary Denzel is actually
4 maybe challenging or agreeing with you in parentheses?

5 A. That's right. She's reviewing.

6 Q. As to the \$10 delinquency fee, at the time you
7 wrote this did you understand that to be true?

8 A. I later found out that that was not accurate
9 because it was documented.

10 Q. And then --

11 A. And we got a copy of that policy and all of those
12 things are filed in our work papers.

13 Q. When you say work papers, what do you mean?

14 A. You guys should have everything.

15 Work papers are every document that supports our audit
16 conclusion.

17 So, for instance, a write-up of every single meeting,
18 copies of policies and procedures, documentation of how we
19 ran data analysis. We keep extensive work papers to support
20 our audit conclusions.

21 Q. Looking at the next bullet, you write, In general,
22 there's a lack of documented policies and procedures for SPU
23 customer service functions.

24 At the time you wrote that did you believe that to be
25 true?

1 A. I believe that they needed improvement.

2 Q. But, I mean, would you agree with me that the
3 reason you wrote, there's a lack of documented policies and
4 procedures for SPU customer service functions, was because
5 at the time you wrote it you believed it to be true?

6 MS. MOORE: Asked and answered.

7 MR. SHERIDAN: You can answer.

8 MS. MOORE: You can answer.

9 A. I believe that they needed improvement.

10 Q. You did write that, right?

11 A. I did write that. However, as I said later on, we
12 did a great deal more work and we found policies and
13 procedures that I wasn't aware of when I wrote this.

14 Q. What year did you find out all that? Was it 2014?

15 A. No, it was before that but I can't tell you. I
16 would have to go back to all the documentation.

17 Q. Looking at the next page now, under Customer
18 Adjustments.

19 A. Yeah.

20 Q. You wrote, Controls over customer adjustments made
21 by SPU customer service are not adequate to prevent/detect
22 unauthorized adjustments.

23 Is that something that you wrote?

24 A. I did.

25 Q. Is that something you believed to be true at the

1 time you wrote it?

2 A. At the time I wrote it I did not think they had --
3 yes, I did not think they had adequate controls.

4 Q. And then looking at the second bullet below that,
5 it says, CCSS system controls do not prevent a UAR or
6 nonsupervisor/manager from making customer account
7 adjustments over a certain dollar level.

8 Did you believe that to be true at the time you wrote
9 it?

10 A. I did, but I later got more information on what the
11 procedures were at SPU and City Light and they had differing
12 procedures. And I can't remember the exact specifics. One
13 of the utilities would have a supervisor review adjustments
14 over a certain dollar level. They may have both done that.
15 I cannot remember that 100 percent. I would have to go
16 back.

17 Q. Fair enough. Looking at the third page, under
18 refunding late payment fees and interest you wrote, call
19 center UARs can do waive late fees --

20 MS. MOORE: Can and do waive late fees.

21 Q. Let me start again.

22 You wrote, call center UARs can and do waive late fees,
23 i.e., \$10 fee per bill for delinquent accounts and interest
24 on the outstanding balance in exchange for delinquent
25 customer's promise to pay an outstanding balance.

1 Is that something you believed to be true when you wrote
2 it?

3 A. Yes.

4 Q. And is that something that you still believe to be
5 true?

6 A. At the time I believe a call center representative
7 had flexibility to waive some late fees. The goal was to
8 try to collect a delinquent balance. So I believe that they
9 had some flexibility with that.

10 Q. Who told you that the goal was to try to collect a
11 delinquent balance?

12 A. Both utilities told me that.

13 Q. Were you also informed that basically the role of
14 the persons who were working in the call center was to help
15 the people make their payments without losing service?

16 MS. MOORE: Assumes facts not in evidence.

17 MR. SHERIDAN: You can answer.

18 A. I don't recall talking about that actually.

19 Q. If you would look now at Page 4 of this exhibit
20 under payment arrangements and policies, and looking at the
21 first bullet. And you wrote -- again, basically if it's in
22 parentheses, it's something that Ms. Denzel commented on; if
23 it's not, it's something that you wrote?

24 A. It could have also been my boss, the city auditor.
25 It could have also been my team member Megumi Sumitani. But

1 most likely more often than not it would have been Mary
2 because she was the manager assigned.

3 Q. In terms of commenting?

4 A. Right.

5 Q. So looking at the first bullet, you wrote, Current
6 procedures appear to be excessively, and you wrote, liberal
7 to customers allowing them to repeatedly cancel and
8 reestablish payment plans, i.e., called due date extensions.

9 Is it true that you wrote that and when you wrote it you
10 believed it to be true?

11 A. Yes.

12 Q. And where did you get that information from, if you
13 recall?

14 A. That would have been through interviews and through
15 looking at data.

16 Q. And so interviews with persons who worked in the
17 call center at SPU and SCL?

18 A. Correct. City Light doesn't have a call center but
19 they have a credit and collections unit that does a lot of
20 work on utility account transactions, and they also have a
21 couple other units that do the call center reports to SPU.

22 Q. Did you see any policies and procedures for the --
23 did you call it a credit and collection organization at --

24 A. Yeah.

25 Q. -- City Light?

1 A. It's credit and collections unit.

2 Q. And did they have their own policies and
3 procedures?

4 A. Yes.

5 Q. To your knowledge, were those policies and
6 procedures applicable to SPU as well as SCL?

7 MS. MOORE: Vague and ambiguous.

8 Q. Based on your personal knowledge?

9 A. Not unless SPU had adopted them. There were, I
10 believe, a couple policies that utilities might have shared
11 where if one utility would refer to the other utility a
12 policy, but I can't give you the specifics on that.

13 Q. Going back to the bullet, the first bullet, to
14 continue on you wrote, cancelling and reestablishing payment
15 plans allows customers to be essentially on a rolling or
16 permanent payment plan.

17 And when you wrote that you believed that to be true,
18 right?

19 A. Yes.

20 Q. Now looking at the next bullet, you write, While
21 some UARs will cancel and reestablish payment plans for
22 customers, some will not.

23 When you wrote that did you believe that to be true?

24 A. Yes.

25 Q. And looking now at the third bullet down, you

1 wrote, customer service -- I guess, and somebody wrote in
2 officials, indicated there is no minimum balance threshold
3 requirement for a delinquent customer to be eligible for a
4 payment plan.

5 And when you wrote that you believed that to be true,
6 right?

7 A. This, I believe, might have been inaccurate.

8 Q. Why do you think so?

9 A. I can't remember, but I believe that there might be
10 a procedure or policy that states a minimum balance
11 threshold. But I can't -- as I said, this is a work in
12 progress. Lots of things in this document are not accurate.

13 Q. But it's basically what you believed to be true at
14 the time you wrote it?

15 A. At the time I wrote it, but I never went back and
16 updated it. I never do that.

17 Q. No, I understand.

18 Looking at the bottom bullet, you wrote, SCL and SPU's
19 payment plan policy allows any past due customer to have a
20 payment plan but not if they have broken two payment plans
21 within one year.

22 Did you believe that to be true when you wrote it?

23 A. Yes, and that is stated in the policy.

24 Q. Do you still think that's true?

25 A. I haven't been working on the utilities recently.

1 Q. Fair enough.

2 Turning over to Page 5. Under call center staff
3 handling utility transactions for each other, this is a
4 section you also wrote, correct?

5 A. Yes, the part that's in the original font.

6 Q. So you wrote, at the time of this interview it
7 appears to be common practice for --

8 MS. MOORE: That's not what the document says,
9 Jack. At the time of this review --

10 Q. I'm trying it again.

11 At the time of this review it appeared to be common
12 practice for customer service employees to handle utility
13 transactions for coworkers, including setting up payment
14 plans, handling energy grant referrals, et cetera.

15 And did you agree with that?

16 A. At the time I wrote it I believed that that was the
17 case.

18 Q. Then it looks like you wrote, SPU's new policy
19 issued in April 2011 made it clear that it is not an
20 acceptable practice to handle utility account transactions
21 for coworkers. And did you write that?

22 MS. MOORE: Mischaracterizes the witness's
23 testimony, assumes facts not in evidence.

24 MR. SHERIDAN: Did I accurately read that?

25 MS. MOORE: She stated that the different font is

1 not hers.

2 MR. SHERIDAN: But it's a cross-out.

3 Q. Let's look at the word new. Do you see the word
4 new there? It has a cross-out in it under new policy.

5 A. I see that.

6 Q. So I was thinking that your editor crossed off new
7 and you wrote the word?

8 A. As I said, after this was written we determined
9 that there were policies and procedures in place that
10 stated that employees should not be working on their own
11 accounts.

12 Q. I understand your position. I'm just trying to
13 find out who crossed out the word new. You wrote new and
14 Ms. Denzel or someone else crossed it off, right?

15 MS. MOORE: Mischaracterizes the witness's
16 testimony, assumes facts not in evidence.

17 MR. SHERIDAN: You can answer.

18 A. I assume that -- I believe that the person
19 reviewing this document crossed it out.

20 Q. Crossed out the word new?

21 A. However, this whole point becomes moot because I
22 was not aware when I wrote it of the policies and procedures
23 that the utilities did have in place that stated that this
24 was not okay.

25 Q. Can you tell us, realizing you don't know the

1 specific time you wrote this, but can you tell us whether
2 this comment was written before or after the data mining
3 results?

4 MS. MOORE: If you know. I'm going to instruct you
5 not to guess.

6 A. Whether I wrote the comment before or after the
7 data mining results?

8 Q. Yes.

9 A. I don't know for sure.

10 Q. What's more likely?

11 MS. MOORE: If you know. I'm going to instruct you
12 not to guess.

13 A. More likely is it was written before the data
14 mining results.

15 Q. So let me clarify again. So when you wrote this
16 sentence, you wrote SPU's new policy issued in April 2011
17 made it clear that it is not an acceptable practice to
18 handle utility account transactions. Is that right?

19 MS. MOORE: Assumes facts not in evidence,
20 mischaracterizes the witness's testimony,
21 mischaracterizes the document.

22 MR. SHERIDAN: You can answer.

23 MS. MOORE: You can answer.

24 A. SPU published new policies and they definitely
25 wanted to really hammer on this point. But we did find that

1 they already had policies in place.

2 Q. I understand. I realize this is a snapshot of what
3 you knew and that's what you're writing, but for record
4 purpose, would you just read into the record, beginning with
5 SPU's, the sentence without the edits as you wrote it,
6 beginning with SPU's.

7 MS. MOORE: What he's trying to ask you is whether
8 you wrote the word new on policies or whether that's a
9 different font and somebody else wrote it.

10 A. I'm sorry, that is a different font?

11 Q. Go ahead and read the sentence.

12 A. It is a different font so then I didn't write it.

13 Q. Do you know if you wrote it?

14 A. If it's a different font...

15 Q. Remember that it's got a cross through it, right?

16 A. Yeah, but that could have been me going back and
17 crossing that out. The editor could have put the word in, I
18 could have gone back and crossed it out.

19 If you went back and looked at the electronic document,
20 all of that should be in computer forensics. I would think
21 all of that should be available.

22 Q. Is it in a different color on the screen?

23 A. Normally it is.

24 Q. So you don't know if you wrote the word new or if
25 you crossed out the word new?

1 A. If you want to know that, all you have to do is go
2 to the electronic file. You can see every comment, who
3 entered everything.

4 Q. Right.

5 A. But I can't remember that.

6 Q. So you see how it says at the very end, so it says,
7 if we were to keep reading, realizing that the word new, we
8 don't know who wrote it and who crossed it out, but I'm
9 going to put it in for the purpose of the sentence and then
10 ask you about the back end of this.

11 It says, SPU's new policy issued in April 2011 made it
12 clear that it is not an acceptable practice to handle
13 utility account transactions for coworkers. The something
14 must now be handled by a supervisor, slash, manager.

15 Is that an accurate reading of what you wrote?

16 MS. MOORE: Mischaracterizes the document.

17 Q. Just to be right, would you please read that,
18 beginning with SPU. You read it as you think you wrote it.
19 Just read it into the record for us, please.

20 MS. MOORE: Without the new font, Jack?

21 MR. SHERIDAN: We're not going to talk about fonts.
22 We're going to let her decide what she wrote.

23 A. I cannot tell you about the new whether -- it
24 doesn't look like I wrote that.

25 Q. I accept that.

1 A. Otherwise I can't tell you about new.

2 Q. Read it as it makes you comfortable.

3 THE WITNESS: You want me to do it or not?

4 MS. MOORE: You can do it.

5 It calls for speculation, lacks foundation. Go
6 ahead.

7 A. SPU's policy issued in April 2011 made it clear
8 that it is not an acceptable practice to handle utility
9 account transactions for coworkers. The something
10 transactions must now be handled by a supervisor/manager.

11 Q. And that's what you wrote at that moment, right?

12 A. That's what's in the original font.

13 Q. Got it. And the original font is you?

14 A. That would have been me.

15 Q. Got it. So we know that this entry had to have
16 been made after April 2011, right, because of the reference?

17 A. Yes.

18 Q. Thank you.

19 Now looking at the next, the first bullet under this, it
20 says, SPU's and our analysis of CCSS data indicated
21 coworkers frequently handling utility account transactions
22 for each other. And did you write that?

23 A. I assume so, yes.

24 Q. And now I would like you to skip Page 6, if you
25 would. About halfway down, make it the bottom bullet, you

1 write, for example, Ms. Davis-Raines who works in the SPU
2 call center had 77 payment plans set up for her by coworkers
3 that do not appear to comply with SPU, slash, SCL policy.

4 Did you write that?

5 A. Probably.

6 Q. And would you agree with me that that information
7 would have only come after the data mining was done?

8 A. We did some review of a few scenarios before we did
9 the comprehensive data mining. So it could have been with
10 the comprehensive data mining. It probably was.

11 Q. Thanks.

12 Turn over to Page 7 now, if you would. And just
13 because -- I'm going to ask you to look at the first bullet
14 that says, call center staff accessing their own utility
15 accounts. Would you read for us that paragraph as you wrote
16 it without the edits?

17 MS. MOORE: The entire Paragraph 7?

18 MR. SHERIDAN: Yeah, starting with, we heard.

19 MS. MOORE: I'm sorry, which one? Call center
20 staff?

21 MR. SHERIDAN: Yeah. Go ahead.

22 A. We heard from several call center staff that prior
23 to or before April 2011 it was common to access your own
24 City Light and SPU accounts, as well as those of relatives
25 and friends. This included entering notes on your own

1 account, reviewing account history, entering service orders,
2 changing garbage service levels, et cetera. SPU's policy
3 issued in April 2011 makes it clear it is no longer
4 acceptable practice to access your own account or the
5 account of a relative, friend or close contact.

6 Q. And when you wrote this you believed it to be true?

7 A. When I wrote it, but later I was made aware of
8 policies and procedures that clearly indicated you're not
9 allowed to work on your own account or I think a family
10 member. I don't know if they addressed coworkers.

11 Q. Okay. Looking at Page 8 now, look at Item 9.
12 Would you just read that into the record for us?

13 MS. MOORE: Read what she believes she wrote?

14 MR. SHERIDAN: Exactly, as before. Thank you.

15 A. SPU's analysis identified that Ms. Williamson, who
16 works for the SPU call center, lives with her mother, sister
17 and daughter and made adjustments to people, folks,
18 whatever, I don't know which one I wrote, listed as her
19 emergency contacts and to a possible relation who works for
20 the city parks department. She set up 34 payment plans for
21 the parks' employee.

22 Q. Is it fair to say you got that off the data mining
23 and the subsequent followup work?

24 A. No, it's not fair to say that. That could have
25 very well have come from the investigation work with SPU.

1 Q. You mean -- so what you mean is you may have
2 gotten this information from Ms. Regan's investigation?

3 A. From assisting with that investigation.

4 Q. When that information was developed did you
5 actually see the raw data or did you just see the conclusion
6 from Ms. --

7 A. I saw the raw data.

8 Q. Looking at No. 11, this is Mr. J Phan, manual cash
9 payments. Is this the fellow you were talking about before?

10 A. Yes.

11 Q. Looking at Page 9 now and Item 13, would you read
12 that paragraph into the record for us with your writing, not
13 the edits?

14 A. SPU transaction analysis indicates some SPU
15 employees are adjusting the utility accounts of their family
16 members including those that work in another area of the
17 city.

18 Q. Keep going.

19 A. For example, analysis to date indicates there are
20 two sisters that work in customer service that are
21 frequently adjusting the accounts of family members and
22 friends, a husband's rental property, referring family
23 members for energy grants, et cetera. We are concerned that
24 some of these transactions may be inappropriate.

25 Q. And in this particular case, do you have any

1 recollection of this particular instance?

2 A. I don't.

3 Q. Look at Page 10 now, and the second bullet on
4 Page 10. Would you go ahead and read that into the record?

5 A. The second bullet?

6 Q. Yeah, the one that says the husband.

7 A. The husband of an SPU manager, Ms. Scott, applied
8 for and received a CAMP energy grant for their utility
9 account. He --

10 Q. Keep going, please.

11 A. Mr. Frank did not properly include his wife's
12 income on the application, and it is unlikely that the
13 account would have qualified for the grant if he had based
14 on his wife's salary as a manager. Mr. Frank's energy
15 assistance application also notes that he receives food
16 stamps and SSI. Mr. Frank is listed as the spouse of
17 Ms. Scott in the HR system and he receives city medical
18 benefits. The name on Ms. Scott's account was switched
19 several times to make it look like she was moving when in
20 fact the address never changed, and it appears this may have
21 been done to enable setting up the account on reduced rates,
22 i.e., 50 percent rates.

23 Q. Do you know what happened as a result of that?

24 A. I do not. That would have been SPU's jurisdiction.

25 Q. Let's take a look at Exhibit 9 now, which is a

1 premarked exhibit.

2 MS. MOORE: Jack, we've been going about
3 50 minutes. How much longer do you think?

4 MR. SHERIDAN: I was going to go until we could let
5 her go to her training, but if you need a break, we'll
6 take a break.

7 MS. MOORE: I do need a break. About how much
8 longer do you think you'll be?

9 MR. SHERIDAN: I'm going to try to get you out the
10 door by 10:30, see if you can get on with your events.
11 Does that give you enough time? You want to take a real
12 quick break?

13 MS. MOORE: Yes.

14 (Recess.)

15 MR. SHERIDAN: Back on the record.

16 Q. So I've handed you what has been marked as
17 Exhibit 9, premarked in this deposition, and can you tell me
18 whether you recognize this document?

19 A. I recognize it but I did not attend this meeting.

20 Q. Can you tell me who attended?

21 A. Yes. It's listed, audit staff present, Mary
22 Denzel, Megumi Sumitani, Cindy Drake and Ashaad, question
23 mark. That would have been one of our Humphrey fellows.

24 Q. Can you tell who prepared this document?

25 MS. MOORE: The document speaks for itself.

1 A. Yes, it says so right there, Mary Denzel.

2 Q. Ms. Denzel. Okay. And have you reviewed this
3 document since it was prepared?

4 A. I read it later after it was prepared. I believe I
5 was gone on a trip when it was written.

6 Q. And did you have any followup meetings with anyone
7 as a result of any of the content of this document?

8 MS. MOORE: Vague and ambiguous.

9 Q. You can answer.

10 A. No, I have no recollection.

11 Q. Of the document?

12 A. I recall reading it later but I do not recall
13 having any, whether I had any followup meetings.

14 Q. At the time did Ms. Denzel report to you?

15 A. No, she was the deputy auditor so I was underneath.
16 I didn't report to her but I would have been underneath her.

17 Q. She would have been higher up in the food chain
18 than you?

19 A. Correct. It doesn't say that but she's deputy
20 auditor, so that's incorrect. It should say deputy city
21 auditor, not assistant city auditor.

22 Q. Got it. And, again, for record purposes, she
23 reported to whom?

24 A. David Jones.

25 Q. Taking a look at Exhibit 3, and tell me if you

1 recognize this e-mail and the attachment.

2 A. Yes, I do recognize it. I wrote this e-mail.

3 Q. And can you tell us, you wrote it on or about
4 January 4th, 2013?

5 A. Well, that's what it says, so I would assume that's
6 accurate, but so many e-mails, I certainly couldn't remember
7 it.

8 Q. And you were writing this to Ms. Denzel and
9 Mr. Jones?

10 A. Yes.

11 Q. And can you tell us why you were writing this
12 e-mail?

13 A. Let me see what's attached to it.

14 I believe I was writing it to explain to my bosses why I
15 was conducting the internal controls review of the utility
16 account transactions.

17 Q. And --

18 A. So that they could explain it to SPU.

19 Q. Did there come a time where SPU asked, to your
20 knowledge, asked the auditor's office to stop their
21 involvement?

22 A. So there were three projects. There was the
23 assisting SPU with their investigation. That was the first
24 project.

25 The second project -- well, the second and third were

1 initiated at the same time. And that was our decision, the
2 city auditor's office decision, and that was the review of
3 internal controls over utility transactions and the
4 comprehensive data mining of utility people with persons
5 with adjustment, update access to the utility account
6 system.

7 So as far as your question, did they ask us to stop our
8 involvement, yes, but only on project No. 1, the
9 investigation.

10 Q. When did they ask?

11 A. Project No. 2 and 3 were our projects and they
12 never asked us to stop that, and they had no authority to do
13 that.

14 Q. Did there come a time that the investigations in
15 jobs 2 and 3 that you've discussed you had completed a draft
16 of a report?

17 A. Yes.

18 Q. And to whom did that draft go?

19 MS. MOORE: If you recall.

20 A. That would have definitely gone to Ray Hoffman and
21 Guillemette Regan. It probably went to Susan Sanchez.
22 There might have been a few other people.

23 Q. Did you receive any feedback from anyone at SPU
24 expressing concern over that draft?

25 A. You know, I don't recall the exact -- we always

1 get feedback on our drafts. We try to address it when we
2 can.

3 Q. What year did the draft come out?

4 A. The first draft, I can't remember that, but you
5 probably have it.

6 Q. And the final draft, the final version came out in
7 2014, right?

8 A. Correct.

9 Q. Can you explain the delay between the draft and the
10 final?

11 A. Yes, I can.

12 Q. Please do.

13 A. This project, our project internal controls review
14 and data mining projects, we essentially had to put them on
15 hold for a year.

16 Q. Why?

17 A. Because we got pulled off by the city council to
18 work on three or four other what were considered to be
19 urgent utility-related projects, and that was due to the Joe
20 Phan fraud. So that happened, and the council of course was
21 very concerned about a lot of things. They gave us three
22 projects to do urgently. So this project got put on the
23 shelf and I was pulled off onto those other three projects
24 to lead those.

25 Q. Who told you to put it on the shelf, if anyone?

1 MS. MOORE: Assumes facts not in evidence.

2 A. My boss. The city council gave us our priorities,
3 so the city council told us -- it was the city council and
4 my boss who said, these are urgent council priorities, we
5 have to address these first. And they were -- everyone was
6 aware that this project was ongoing and it would have to be
7 delayed until we could completely do these other things
8 first, and then we picked it back up.

9 Q. Did you object to putting it on the shelf?

10 A. No, because it was clear that the other projects
11 were higher priority.

12 Q. And in the time and the year that you put it on the
13 shelf, did more evidence come to light to support the
14 conclusion that there were policies and procedures in place
15 to prevent people from accessing their own accounts or the
16 accounts of their family and friends?

17 A. I can't tell you when that evidence came to light.
18 I can just tell you that when we went through our audit
19 steps of vetting everything we became aware that there were
20 policies and procedures in place at the time. And even at
21 the time I wrote this thing that I just wasn't aware of it
22 when I wrote it.

23 Q. I understand.

24 Look at Exhibit 4, if you would, and tell me if you've
25 ever seen this e-mail.

1 It's an e-mail string, and for record purposes I'll say
2 it's a March 9, 2011 e-mail from Debra Russell to Charlene
3 MacMillan-Davis and then the second e-mail is the response
4 of Ms. MacMillan-Davis.

5 Have you seen this?

6 A. I'm not aware of having seen it. I'm not listed on
7 here.

8 Q. That is true.

9 You know who Charlene MacMillan-Davis is?

10 A. Yes, I do.

11 Q. Who is she?

12 A. She worked, at the time I was involved with the SPU
13 investigation, she worked for SPU human resources and she
14 was a member of the investigation team.

15 Q. The team headed by Ms. Regan?

16 A. Yes.

17 Q. And then who was Debra Russell, if you know?

18 A. Debra Russell was the director of the SPU utility
19 call center.

20 Q. So looking at this date, March 2011, Ms. Russell is
21 writing to Ms. MacMillan-Davis and asking, what do you think
22 about adding to the UAR expectations the information that
23 employees should not access their own accounts.

24 And then in response Ms. MacMillan-Davis writes, Let's
25 not do it just yet; with everything else going on related to

1 this, I think it would be best to handle that separately.

2 My question to you is, did anyone contact you in the
3 March 2011 timeframe to discuss with you whether or not
4 there were UAR expectations in place that prohibited people
5 from accessing their own accounts?

6 MS. MOORE: Asked and answered.

7 MR. SHERIDAN: You can answer.

8 A. I don't recall anybody discussing this with me.

9 Q. Here's the next exhibit, Exhibit 5, and tell me if
10 you recognize this e-mail string.

11 A. Yes, I recognize this.

12 Q. And this is an e-mail string between you and
13 Mr. Jones and Megumi Sumitani?

14 A. Yes, and I cc'd Guillemette.

15 Q. So could you tell us sort of what subject was being
16 discussed at this time?

17 A. This is a personal pet peeve of mine, which is to
18 conduct credit checks of employees, or future -- a potential
19 applicant, which I have had no -- I've not been successful
20 in at the city of Seattle.

21 MS. MOORE: It's against the law.

22 THE WITNESS: It wasn't against the law from my
23 private secretary background.

24 Q. So looking at this, about halfway down, starting in
25 the middle you wrote, So far, looks like the staff making

1 questionable customer adjustments all have delinquent
2 accounts; no doubt they have bad credit generally as well.

3 Did you write that?

4 A. I did. That was my speculation.

5 Q. Has anyone ever talked to you about who worked in
6 the call center and the racial composition of those persons?

7 A. No, but credit checks is just a standard control
8 for fraud prevention and I'm a certified fraud examiner, and
9 that's something that's highly recommended.

10 MS. MOORE: Unfortunately you don't know employment
11 law.

12 THE WITNESS: Okay.

13 MS. MOORE: You can't do it.

14 THE WITNESS: The private sector does it.

15 MS. MOORE: No, they don't.

16 Q. I have handed you what has been marked as
17 Exhibit 8 and ask you to take a look at this e-mail string
18 and tell me if you recognize it.

19 MS. MOORE: Go ahead, and start from the bottom.

20 Q. I think if you start at Page 4, that first e-mail
21 from Ian Smith, that will help.

22 A. Okay. Yes, I am recognizing this, yes, what this
23 is covering.

24 Q. Could you give us sort of a summary of what was
25 being discussed at the time?

1 A. This is concerning the issue that if one does a --
2 you can adjust -- you're supposed to adjust utility accounts
3 by making a separate adjustment transaction. And when you
4 do that, like if you -- I go into your account and I say,
5 credit Mr. Sheridan for \$30, my user ID as an adjustment
6 transaction, my user ID would be recorded.

7 This is discussing an issue where a fee was on your
8 account and I went into that account and I reversed it
9 instead of making an adjustment.

10 Q. What was the consequence of that?

11 A. The consequence at the time was that the user ID
12 would not be recorded.

13 Q. So there was no way to trace who did that?

14 A. That's correct.

15 Q. And was that for SPU, SCL, or both?

16 A. Didn't matter. Anyone that was entering into the
17 utility system and performing that sort of an adjustment.
18 That's sort of a -- not adjustment. That's not a proper
19 term. Reversal of a fee. Could have been a reversal of
20 credit, could have been reversal of whatever. It's a
21 reversal.

22 Q. Was this something that was noted in your report as
23 a problem, if you know?

24 A. I believe that it was, and it was resolved during
25 the course of the audit.

1 Q. Do you remember, this e-mail on Page 3 is a May 11
2 e-mail, 2012. Do you know how long from the time that this
3 was drafted to the time of resolution?

4 A. As soon as we notified City Light, because City
5 Light owned the utility account system, so they were
6 responsible for maintaining it. We notified Glen Amy, who
7 was the head person over the CCSS billing system for City
8 Light. He took care of it right away, so like within a week
9 or so or two.

10 Q. Is there any way to tell whether there was fraud
11 being committed in this manner?

12 MS. MOORE: Vague and ambiguous as to the term
13 fraud. You can answer.

14 MR. SHERIDAN: You can answer.

15 A. We had a concern that a couple of the people we
16 looked at through the data mining might have reversed a --
17 when you're really delinquent you get like your water meter
18 is removed and you get a large fee. I think there's also an
19 electric meter removal fee.

20 And we had a concern with a couple of people that
21 they -- the fee was reversed. We saw that they got the fee
22 and then the fee was reversed. Once the fee is taken off,
23 the electricity and water shut-off procedure also stops.

24 Q. And there is no way to tell who took that fee off?

25 A. Correct.

1 Q. And so basically you had to drop that issue. You
2 couldn't investigate further because there was no way --

3 MS. MOORE: Mischaracterizes the witness's
4 testimony.

5 MR. SHERIDAN: You can answer.

6 A. We just reported that it was -- at the time during
7 the audit it was a control weakness, and we also reported
8 that it had been taken care of by City Light.

9 Q. But what I'm asking is, so let's say somebody had,
10 was doing this for money, right? Did you continue to
11 investigate to see if those reversals really were part of
12 fraudulent behavior?

13 MS. MOORE: Asked and answered.

14 MR. SHERIDAN: You can answer.

15 A. No, we just ran data queries on meter reversals,
16 the water meter disconnection reversals. We just ran a
17 query to see how many there were.

18 Q. Do you remember how many there were?

19 A. I don't. Megumi did that. But I don't think there
20 were -- there weren't a lot, as I recall.

21 Q. So is it fair to say that at the point that the
22 reversals were identified you gave the information to SPU
23 and took no further action?

24 MS. MOORE: Mischaracterizes the witness's
25 testimony, assumes facts not in evidence.

1 MR. SHERIDAN: You can answer.

2 A. No, I don't believe we did give that information to
3 either utility. We just ran the data for ourselves to see
4 if it looked like it was a big problem that warranted
5 further work. We reported the issue and the issue had been
6 taken care of. And that was our main concern is that it
7 couldn't be done going forward.

8 Q. That it could not be done?

9 A. Going forward, because City Light corrected it, so
10 that now if you reversed a charge it would be captured in
11 the user ID.

12 Q. I guess my question, in light of Mr. Phan and all
13 of that, why didn't you as the auditor's office look further
14 to see if there was fraudulent conduct?

15 A. Because we didn't see a large number of these when
16 we ran the data and we had other priorities. We had a lot
17 of other priorities.

18 Q. Did anyone tell you not to investigate further?

19 A. No.

20 Q. Got it.

21 Let me hand you what has been marked as Exhibit 6. And
22 take a look at that and see if you recognize it. This is an
23 e-mail -- I'll say for the record, this is an e-mail
24 string --

25 A. Yes.

1 Q. The top one is July 12, 2011 from Robin Howe to
2 Ms. Regan, Nancy Coyle.

3 A. Okay. It's regarding expectations, regarding
4 adjustments.

5 Q. Right.

6 A. Okay.

7 Q. Is it fair to say you recognize this e-mail string?

8 A. I recognize the first one. Let me continue because
9 it looks like some of them -- let's see.

10 I don't remember the earlier e-mails in this string but
11 I recognize the one I wrote here, the top one.

12 Q. Go ahead and just read the first two sentences of
13 your e-mail on the top to Ms. Regan beginning with, Thanks
14 for the information.

15 A. Thanks for the information; Elaine's answers to
16 question No. 1 and No. 5 line up with what I have heard from
17 various SPU/SCL staff over the years in audit interviews.

18 Q. Now if you would switch to Page 2 and look at the
19 numbered e-mail on Page 2, 1 through five. Are you
20 referring to the numbers that are contained --

21 A. Yes.

22 MS. MOORE: Jack, we're getting close to the time.

23 MR. SHERIDAN: I'm almost there.

24 Q. And look at Page 3 now and look at that e-mail at
25 the back. It says it's from Elaine Webster. Could you tell

1 me who that person is?

2 A. She worked for the customer care call center, and
3 I'm not sure her exact position, but she -- I'm not sure if
4 she was involved in training or she might have been involved
5 with writing procedures or policies and procedures and
6 business processes. But I'm not exactly sure.

7 Q. And she is writing in July 7, 2011 to Ms. Regan.
8 The second paragraph she writes, I've done some digging and
9 the answer is that we did not have anything documented prior
10 to the most recent policy that was put into place in March.
11 Historically during training verbal discussions occurred
12 with all new agents to not make updates, changes or
13 adjustments to their own accounts or accounts of family
14 members and friends.

15 Would you agree with me you probably read this at the
16 time that you wrote your response?

17 A. I would have read it, yes.

18 Q. And did you, as of July 2011, did you believe it to
19 be the case that there was not anything documented prior to
20 the most recent policy put into place in March that told
21 people not to make changes on their own accounts?

22 A. No, I can't tell you what I believed back at that
23 time.

24 MR. SHERIDAN: Fair enough. I'm going to let you
25 go.

1 MS. MOORE: I have one question.

2

3

EXAMINATION

4 BY MS. MOORE:

5 Q. Ms. Howe, take a look very quickly at Exhibit
6 No. 5. Exhibit No. 5 is a document that Mr. Sheridan showed
7 you where --

8 A. Background checks.

9 Q. You can't interrupt me.

10 You state, quote, So far, looks like the staff making
11 questionable customer adjustments all have delinquent
12 accounts. No doubt they have bad credit generally as well.
13 Correct? You made that statement, correct?

14 A. Yes.

15 Q. Did you know the race of the staff who made
16 questionable customer adjustments at the time you wrote this
17 memo?

18 A. No.

19 MS. MOORE: Thank you. I have no further
20 questions.

21 MR. SHERIDAN: Thanks. Good luck with your
22 training.

23 (The deposition adjourned at 10:40 a.m.)

24 (Signature reserved.)

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C O R R E C T I O N S

PLEASE MAKE ALL CORRECTIONS, CHANGES OR CLARIFICATIONS TO YOUR TESTIMONY ON THIS SHEET, NOT IN THE TRANSCRIPT ITSELF, SHOWING PAGE AND LINE NUMBER AND THE NATURE OF THE CHANGE. IF THERE ARE NO CHANGES, WRITE "NONE" ACROSS THE PAGE. PLEASE SIGN THIS SHEET AND RETURN WITHIN 30 DAYS TO THE ATTENTION OF JOHN P. SHERIDAN, ESQ., AT 705 SECOND AVENUE, SUITE 1100, SEATTLE, WA 98104 FOR FILING WITH THE ORIGINAL TRANSCRIPT.

PAGE LINE CORRECTION AND REASON

ROBIN MARIE HOWE

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REPORTER'S CERTIFICATE

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I, MARLIS J. DeJONGH, CCR, RPR, a Notary Public in
and for the State of Washington, do hereby certify:

That prior to being examined, the witness named in the
foregoing deposition was duly sworn to testify the truth,
the whole truth and nothing but the truth;

That said deposition was taken down by me in
shorthand at the time and place therein named and thereafter
transcribed by means of computer-aided transcription, and
that the foregoing transcript contains a full, true and
verbatim record of the said deposition;

I further certify that I have no interest in the
event of the action.

WITNESS my hand and seal this 10th day of May,
2016.

Notary Public in and for the State
of Washington, residing in Seattle.
My commission expires 01/15/2020.
Lic. No. DE-JO-NM-J498K9

AUDIT TITLE AND NUMBER:	SPU Customer Adjustments (Fraud Investigations Non-Audit Project) 2011-03
PREPARED BY (INCLUDE TITLE AND PHONE NUMBER):	Robin Howe, Assistant City Auditor, 615.1131
PERSONS INTERVIEWED (NAMES, TITLES, DEPARTMENT AND PHONE NUMBERS):	<ul style="list-style-type: none"> • Guillemette Regan, Director of Risk and Compliance, SPU, 233-5008 (Phone call)
AUDIT STAFF PRESENT (NAMES AND TITLES):	<ul style="list-style-type: none"> • Robin Howe, Assistant City Auditor
DATE OF INTERVIEW:	December 7, 2010
DATE PREPARED:	March 4, 2011
REVIEWED BY AUDITOR:	David G. Jones 3/4/11 M. Sumitani 3/4/11
PURPOSE OF INTERVIEW:	Guillemette called to request Office of City Auditor (OCA) assistance with the investigation of two employees who made unauthorized adjustments to their own utility accounts.

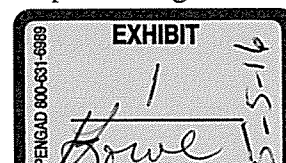
KEY INFORMATION PROVIDED OR DISCUSSED:

I spoke with Guillemette Regan, Director of SPU Risk and Compliance, on the phone. She called us to request OCA's assistance with the investigation of two employee abuse situations involving making adjustments to their own utility accounts. The following was discussed:

Guillemette noted that there were two SPU employees suspected of making unauthorized adjustments to their own utility accounts. She noted these two situations were completely independent of each other. *She stated that both employees utilized their CCSS (SPU's and SCL's customer accounting system) system access rights to make inappropriate transactions on their own accounts to their own benefit.* She explained the situations as follows:

- **Employee #1** "Employee #1" owns multiple properties within the City and it looks like he made inappropriate transactions for two of his properties, in that he entered transactions indicating payments were made when these payments were not actually made. These false payments totaled about \$1,000. This man owns three properties in the City that are served by SPU.
- **Employee #2** "Employee #2" is a Supervisor in Customer Service. Her account was continually delinquent and Guillemette believes *the employee adjusted the account to remove all delinquent penalties, as well as setting up her own payment plans (i.e., an installment payment option for delinquent customers).*

Guillemette noted that somehow SPU HR was alerted to these two situations and began investigating them. Charlene MacMillan-Davis, the SPU Labor Relations Coordinator, has conducted the investigation work to-date. Charlene has interviewed both employees (Auditor's Note: it sounded like multiple times) and so they are aware the City is questioning their actions.



Guillemette said that to date Charlene and she have gone back one year with their review of these two employees' utility accounts.

Guillemette asked if OCA could assist SPU with some of the requested tasks below:

- Conduct a comprehensive “audit” or review of the transactions the two employees in question made to their accounts. SPU will want to pursue seeking restitution from these two employees and needs the State Attorney General Office’s approval before SPU can do that. Guillemette wants independent verification from our office to confirm the amount that SPU has identified that is owed to the City by “employee #1” and to determine and document the amount owed by “employee #2.” Guillemette noted that she will actually write up the restitution reports after these reviews are conducted.
- Review the control procedures over SPU’s customer adjustment functions and determine where controls need to be improved. *(Auditor’s Note: Both OCA and SPU are well aware that the current procedures over this area are not adequate.)*
- Conduct data mining on all employees with CCSS transaction update-level access with SPU/SCL utility accounts and look for other potential abuses. Guillemette noted that she had requested the State Auditor’s Office to do this and they indicated that they would do this, but she has not yet received any results.

Robin noted that she would discuss this work request with David Jones, the City Auditor, and get back to Guillemette as soon as possible.

(Auditor’s Note: This discussion was held and Robin called Guillemette back the same day to respond.) OCA phoned Guillemette back later that day and said we would try to assist SPU with these investigations, as much as possible, but our current staff resources were very limited and we might have to stop work on this project if called off to another audit project. OCA discussed with Guillemette that SPU could hire a Certified Fraud Examiner (CFE) to conduct or complete the work if we were unable to due to lack of staff resources. Guillemette thanked OCA for this offer of assistance and said she would set up an initial meeting soon with OCA, SPU HR, and herself.

OCA commented to Guillemette that she might want to speak with Michael Hamilton, the City’s CISO (Chief Information Systems Officer), and/or his colleague David Matthews since these employee abuse situations apparently involved the misuse of City computer systems.

OCA also requested that SPU pull 10 years of utility account data for these two employees.

OTHER INFORMATION:

Guillemette noted that Dan Swenson is currently the SPU manager responsible for the Combined Utility Call Center but is retiring in March.

ACTION ITEMS:

POTENTIAL ISSUES:

- *Controls over SPU's customer adjustment functions are not adequate.*
- *"Employee #1" owns multiple properties within the City and it looks like he made inappropriate transactions for two of his properties, in that he entered transactions indicating payments were made when these payments were not actually made. These false payments totaled about \$1,000.*
- *It appears that "Employee #2" adjusted her account, which was continually delinquent, to remove all delinquent penalties, as well as setting up her own payment plans (i.e., an installment payment option for delinquent customers).*

Job Start and Termination Form

Job Start Phase

Project ID¹: 2011-03 SPU/SCL Customer Account Adjustments

Category (choose one by boldface or Draw a circle):

OCA Citywide GF Retirement DPD **SCL** SDOT
 SPU: Water SPU: Wastewater SPU: Solid Waste **SPU:**
Combined Utilities



Subject department(s): **Seattle Public Utilities is the primary client, and Seattle City Light is the secondary client.**

Description of audit / project: **SPU requested that OCA assist them with the investigation/review of CCSS transactions made by two former SPU employees. SPU identified that these two former employees made transactions for their own utility accounts (SCL and SPU accounts) inappropriately and to their benefit. (Note that SPU has terminated both employees in question based on these inappropriate transactions.) In addition, SPU identified that other SPU (and possibly SCL) employees made inappropriate transactions that benefitted one of these former employees. Consequently, SPU asked OCA to assist them with the review of any employees potentially implicated in making inappropriate transactions and any additional employees that may come to light through analysis of the CCSS system transaction data.**

Other Requested and Related Potential Future Projects: SPU asked OCA to conduct a couple of related projects and OCA notes these here as potential future and related projects.

- **Conduct an audit of SPU Customer Account Adjustments and the internal controls over these processes.**
- **Conduct data mining analysis of utility account adjustments using ACL software. Review adjustments made by all employees with update-level access rights to CCSS (SPU, SCL, and any others like DON and HSD) and any vendors, and look for inappropriate transactions in several ways:**
 - **Review any adjustments that employees made to their own SCL and SPU utility accounts, if they live in the City and are a customer of SCL/SPU.**

¹ Project ID consists of three elements, separated by hyphens: 1) the year in which this form is signed by the City Auditor (4 digits), 2) the chronological order number of the project within the current year (2 digits), and 3) a descriptive abbreviated name for the project (up to 20 characters). Format: [year]-[number]-[descriptive name]

- o Review all adjustments made to employees' SCL and SPU accounts, or do this on a sampling basis.

- o Review adjustment transactions made by employees to any customer, looking for trend and comparative data – for example, the number of adjustments that appears to be normal/average per employee per month or year, the dollar amount in total of adjustments that appears to be normal/average per employee per month/year, the number of the various types of adjustments that is average per employee, adjustments over a certain dollar-level (e.g. \$100) on an employee comparative basis, etc.

Note that OCA hopes to conduct these related projects for SPU (and SCL) in the future, based on our available staff resources and competing demands for those resources.

Auditor-in-Charge: **Robin Howe**

Other audit staff: **Megumi Sumitani**

Date work should begin: **Work began on this project on December 7, 2010**

Date Preliminary Job Agreement is due to City Auditor: **This document and A-3 serves as the Preliminary Job Agreement for this project. -RH**

----- Items on this page below this line are to be completed by the City Auditor -----

City Auditor's expectations:

- Comprehensive report card (e.g., SCIPDA audit) yes/no/don't know
- Follow Yellow Book yes/no
- Management Oversight David /Mary
- Type of engagement Audit/consulting

If this is a nonaudit service (i.e., consulting project), initial here to document that the City Auditor and Auditor-in-Charge have discussed this project and determined that it does not impair our independence per Government Auditing Standard sections 3.20 – 3.30:

City Auditor

Auditor-in-Charge

Other:

Do we need to contact auditee(s) to announce this work (in addition to notification email): yes/no if yes, date contacted: **December 7, 2010 – Guillemette Regan, Director of SPU Risk & Compliance**

Do we need to contact other agencies to announce this work:² yes/no if yes, date contacted: **Contacted SAO on December 10, 2010 – Dan Potapenko, SAO Audit Manager; Contacted SCL on February 28, 2011 – Pamela Fowlkes, Manager of SCL Credit & Collections, and Sandra Scott, Supervisor of SCL Credit & Collections.**

City Auditor approval:

Signature: _____ Date: _____

Termination Phase

Date product issued:

Date job closed:

City Auditor approval:

Signature: _____ Date: _____

² i.e., the State Auditor’s Office, Seattle Ethics and Elections Commission, Director of Central Staff, other audit shops as necessary such as IGs, WSDOT, SHA, etc.

Sumitani, Megumi

From: Howe, Robin
Sent: Friday, January 04, 2013 3:26 PM
To: Denzel, Mary; Jones, DavidG
Cc: Howe, Robin; Sumitani, Megumi; Stepper, Marc
Subject: Some Additional Background Info Related to Initiation of "SPU Adjustments Review", which is now called CCSS Transaction Controls Review
Attachments: A01 Job Start & Term Form.doc; A-3 Initial Project Mtg w SPU.doc

Hi Mary and Dave,

Please see the attached A01 document and writeup of initial meeting with SPU – where Melina and Guillemette asked us to assist them with the employee investigations. Note, that in both documents, it states that SPU asked us to review internal controls over adjustments to CCSS accounts – it states that Guillemette asked for this project. It also states that Guillemette asked us to conduct the data mining project, and I had completely forgotten this point. I'll have to update the CCSS Transaction Controls Review report accordingly. Just thought you might need this support while I'm away, in case anything comes up relative to Guillemette's email about the draft report meeting I requested.

As soon as I return from vacation, I'll start working on whipping the workpapers into shape for the CCSS Controls Review project into shape.

I'm cc'ing Marc, as well, just so he knows what is going on, since I cc'd him on Guillemette's email.

Thanks. Robin



Job Start and Termination Form

Job Start Phase

Project ID¹: 2011-03 SPU/SCL Customer Account Adjustments

Category (choose one by boldface or Draw a circle):

OCA Citywide GF Retirement DPD **SCL** SDOT
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Note that OCA hopes to conduct these related projects for SPU (and SCL) in the future, based on our available staff resources and competing demands for those resources.

Auditor-in-Charge: **Robin Howe**

Other audit staff: **Megumi Sumitani**

Date work should begin: **Work began on this project on December 7, 2010**

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- Follow Yellow Book yes/no
- Management Oversight David /Mary
- Type of engagement Audit/consulting

If this is a nonaudit service (i.e., consulting project), initial here to document that the City Auditor and Auditor-in-Charge have discussed this project and determined that it does not impair our independence per Government Auditing Standard sections 3.20 – 3.30:

City Auditor

Auditor-in-Charge

Other:

Do we need to contact auditee(s) to announce this work (in addition to notification email): yes/no if yes, date contacted: **December 7, 2010 – Guillemette Regan, Director of SPU Risk & Compliance**

Do we need to contact other agencies to announce this work:² yes/no if yes, date contacted: **Contacted SAO on December 10, 2010 – Dan Potapenko, SAO Audit Manager; Contacted SCL on February 28, 2011 – Pamela Fowlkes, Manager of SCL Credit & Collections, and Sandra Scott, Supervisor of SCL Credit & Collections.**

City Auditor approval:

Signature: _____ Date: _____

Termination Phase

Date product issued:

Date job closed:

City Auditor approval:

Signature: _____ Date: _____

² i.e., the State Auditor's Office, Seattle Ethics and Elections Commission, Director of Central Staff, other audit shops as necessary such as IGs, WSDOT, SHA, etc.

From: [MacMillan-Davis, Charlene](#)
To: [Russell, Debra](#)
Subject: RE: UAR Expectations
Date: Wednesday, March 09, 2011 12:57:17 PM

Let's not do it just yet. With everything else going on related to this, I think it would be best to handle that separately. We can – and should – add it once we have a comprehensive approach to managing it.

CMD

From: Russell, Debra
Sent: Wednesday, March 09, 2011 10:16 AM
To: MacMillan-Davis, Charlene
Subject: UAR Expectations

What do you think about adding to the UAR Expectations the information that employees should not access their own utility accounts?

Debra



From: [Regan, Guillemette](#)
To: [Howe, Robin](#); [Jones, DavidG](#); [Sumitani, Megumi](#)
Subject: RE: Deficit-reduction debate takes shape with Obama's proposal
Date: Thursday, April 14, 2011 10:35:36 AM

I agree with your position on this issue Robin, while it will only paint a picture at that particular point in time it would at least catch some of the people who may not be hired for certain roles. I'm not sure how this fits in though with the change in city policy that the Mayor's office proposed a few years ago. I can also think of some companion pieces to go with your suggestion:

- We would need a policy and perhaps criteria guiding decision-making around what a finding of bad credit means (I've noticed that while we ask for background checks now for some roles, we don't indicate what it means if we identify something in it)
- The ability to do new background / credit checks when an employee takes a new role with responsibilities that are now increased &/or include financial transactions. This is currently not allowed.
- The ability to do more than criminal background checks for positions that interface with children. I don't think that the broad background checks that are done look far enough to evaluate certain types of sex offender status.
- Looking out of state. My understanding a couple of years ago was that we only do Washington state searches which of course would not capture issues / history for a candidate having lived in another state

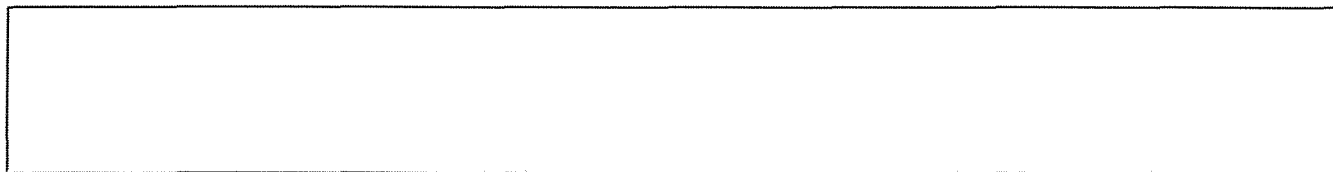
From: Howe, Robin
Sent: Thursday, April 14, 2011 9:28 AM
To: Jones, DavidG; Sumitani, Megumi
Cc: Regan, Guillemette; Howe, Robin
Subject: FW: Deficit-reduction debate takes shape with Obama's proposal

Dave and Megumi (and Guillemette),

note link to article about not hiring employees without a background check. It includes an entire paragraph about the importance of a credit check. I feel STRONGLY that the City should institute this practice for any employee who will be in a position to handle money, customer accounts, contracts, purchases, etc. So far, looks like the staff making "questionable" customer adjustments all have delinquent accounts – no doubt they have bad credit generally, as well. Maybe we really could have saved the City some \$\$'s if we had done credit checks before hiring. Maybe central Personnel would be willing to reconsider their position on this, or at least allow our utilities to include this in their background checks. I think it would be worth pursuing.

From: CPA Letter Daily [<mailto:cpa@smartbrief.com>]
Sent: Thursday, April 14, 2011 6:32 AM
To: Howe, Robin
Subject: Deficit-reduction debate takes shape with Obama's proposal

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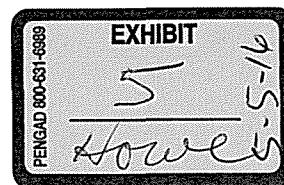
April 14, 2011

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CCSS DATA MINING INVESTIGATION

Sumitani, Megumi

From: Howe, Robin
Sent: Tuesday, July 12, 2011 8:06 AM
To: Regan, Guillemette; Coyle, Nancy
Cc: Denzel, Mary; Howe, Robin; Sumitani, Megumi
Subject: RE: Expectations Regarding Adjustments

Hi Guillemette,

Thanks for the information. Elaine's answers to questions #1 and #5 line up with what I have heard from various SPU/SCL staff over the years in audit interviews. I remember being told by more than one person that it is not ok to work on your own account. Offhand, I can't remember who told me this, but I could search through our workpapers - interview writeups - for related audits and see if I can find our documentation of these comments. Let me know if you want me to conduct this search.

I have been digging out after just returning from a month away but will get back to reviewing/editing the last two interview writeups from the first session of meetings tomorrow. Hopefully, I'll be able to get these to you by the end of the day tomorrow - if not, then it will be on Thursday.

fyi - Just in case you do not already know this, another SPU-related project I'm currently assisting with is serving as a member of the contracting/RFP review team for SPU's external audit contract. The contract with Moss Adams is being re-bid as per the standard schedule. SPU Accounting (Linda Johnson) asked if I would serve on the committee and Steven Johnson is the contracting officer for this effort. My efforts for this will occur in July and early August. Just wanted to keep you in the loop in case you weren't aware of it.

(On a personal note, I passed the FAR (financial accounting & financial reporting) section of the CPA exam this time. Yeah!! Moving onwards to sit for the REG (tax and business law) section in August. If the stars line up properly, I'll take the fourth and final section in November and be done (or almost) with it.)

Take care,
Robin

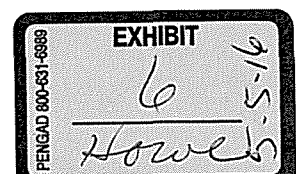
From: Regan, Guillemette
Sent: Monday, July 11, 2011 6:16 PM
To: Coyle, Nancy; Howe, Robin
Cc: Denzel, Mary
Subject: FW: Expectations Regarding Adjustments

More info to support the verbal messages shared. She will be bringing me a hard copy of an old expectations agreement that she describes here. Later iterations that I've seen (until the most recent version) don't say specifically.

From: Webster, Elaine
Sent: Friday, July 08, 2011 1:27 PM
To: Webster, Elaine; Regan, Guillemette
Subject: RE: Expectations Regarding Adjustments

One additional note regarding the expectations documents:

- The old document did not require signature
- The new document required signatures from each employee stating they reviewed the document.



From: Webster, Elaine
Sent: Friday, July 08, 2011 1:16 PM
To: Regan, Guillemette
Cc: Webster, Elaine
Subject: RE: Expectations Regarding Adjustments

Guillemette—

I've answered your questions to the best of my abilities at this point. They are shown in red below. Let me know if you need me to dig any further.

Elaine F. Webster
Sr. Management Systems Analyst & CCSS Liaison
Seattle Public Utilities
SMT 31st Floor
206-684-5866

From: Regan, Guillemette
Sent: Friday, July 08, 2011 9:39 AM
To: Webster, Elaine
Subject: RE: Expectations Regarding Adjustments

Thanks Elaine that's helpful. Couple of questions:

1. How long or when did this practice of verbally sharing the info in training been taking place?
This message has been given verbally for as long as I have been with the City (Water Dept, then SPU) which is 16 years. It has certainly been a part of the training program since the creation of SPU.
2. Who were the trainers over the years (say since 2001)?
The lead trainers over the years have been Christine Baker, Christine Acker, and Maryam Mason
3. Was the messaging on this consistently shared by all trainers?
I believe so. It is always a question that comes up by trainees, so the opportunity is always there to impart this information. It is also included in the review of expectations (details below)
4. Is the same message shared with UARs as USRs?
Unknown. USRs are trained by the staff in the UST's, except for things like e-bill or other branch-wide tools.
If you would like, I can follow up with Vic Roberson and/or Marcus Jackson.
5. I've been told that Mike Harms issued a memo in 2008; who are folks that are document pack rats that might have a copy of that memo?

I have not been able to find the memo you are referring to. I will touch base with Deb Russell to see if she has it in her files.

A document was developed and launched in August 1999 called Expectations for Utility Account Representatives. Development was a joint effort between business and labor representatives. One of the expectations listed on page 4 states "Ask a supervisor or Utility Account Representative II to provide maintenance to your account and the accounts of your relatives, friends, and co-workers". This expectations document was reviewed in detail with every existing employee at the time and every new hire until the development of the new expectations document.

I obtained a copy of the new UAR Expectations dated 03.24.11. On page 5, this document states "Under no circumstances should any account maintenance be performed on your own personal SPU or SCL account(s). For assistance on your personal account(s), please see the Duty or Back up Supervisor. "

From: Webster, Elaine
Sent: Thursday, July 07, 2011 3:15 PM
To: Regan, Guillemette
Cc: Thung, Melina
Subject: Expectations Regarding Adjustments

Guillemette—

Melina and I had a conversation earlier today and she asked me, on your behalf, if we had any documentation in the Contact Center prior to March 2011 regarding agents and their personal utility accounts.

I've done some digging, and the answer is that we did not have anything documented prior to the most recent policy that was put into place in March. Historically during training, verbal discussion occurred with all new agents to not make updates, changes or adjustments to their own personal accounts or the accounts of family members and friends. It was also stated that if an agent happens to get a customer that they know, that it would be to their advantage to transfer that customer to another agent or a supervisor. The use of common sense and good judgment was encouraged.

I promised Melina I would get back to you directly on this. Please let me know if I can be of further assistance.

Elaine F. Webster
Sr. Management Systems Analyst & CCSS Liaison
Seattle Public Utilities
SMT 31st Floor
206-684-5866

CCSS DATA MINING INVESTIGATION

Sumitani, Megumi

From: Sumitani, Megumi
Sent: Monday, May 14, 2012 9:19 AM
To: Howe, Robin
Cc: Denzel, Mary; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

OK, I will include this documentation with the retention materials for the CCSS database tables.
Thank you!
Megumi

From: Howe, Robin
Sent: Monday, May 14, 2012 9:16 AM
To: Sumitani, Megumi
Cc: Denzel, Mary; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

That was my understanding from both what Glenn Amy said and what Shirley Mah (SCL Account Control) said.

From: Sumitani, Megumi
Sent: Monday, May 14, 2012 9:10 AM
To: Howe, Robin
Cc: Denzel, Mary; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

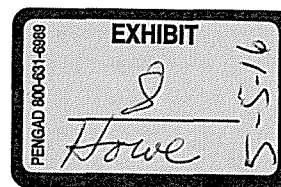
So is it for every credit entry against an existing charge entry throughout CCSS?

From: Howe, Robin
Sent: Monday, May 14, 2012 9:03 AM
To: Sumitani, Megumi
Cc: Denzel, Mary; Jones, DavidG; Howe, Robin
Subject: RE: If this is all you need. Disregard my memo.

Megumi,

This research was never conducted and after Glenn explained all the situations where user ID's were not recorded – i.e., whenever the credit entry is made against an existing charge entry – it did not seem like there was any reason to pursue it any further. It definitely did not appear to be worthy of me asking Glenn to prioritize something that would take him a full month (in man-hours) to accomplish. At least, I do not want to ask him to do this for my CCSS Transactions Controls Review. This is just my opinion on the matter.

Robin Howe, CIA, CISA, CGAP, (CPA candidate - AUD, FAR, REG, BEC, & Ethics passed)
Assistant City Auditor
City Auditor's Office
City of Seattle
206.615.1131, fax 206.684.0900



From: Sumitani, Megumi
Sent: Monday, May 14, 2012 8:57 AM
To: Howe, Robin
Cc: Denzel, Mary; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

Thanks, Robin. I have this already.

What I'm referring to is the "research" Glenn said would take over 160 hours (see March 2 email below) to look into the various transactions for when the User IDs are recorded, not recorded, overwritten, etc. It sounded like he would have to do some testing.

As I recall, this particular correction on Glenn's part was just one of them.

If you decided not to have Glenn do the research, that's fine, too. Just want to know the status.

Thanks very much. Megumi

From: Howe, Robin
Sent: Friday, March 02, 2012 3:43 PM
To: Amy, Glenn
Cc: Sumitani, Megumi; Denzel, Mary; Rubin, Steve; Howe, Robin
Subject: RE: Discussion of CCSS Transactions for which User ID's are Not Recorded or Overwritten by a Later Action

OK, then let's just discuss this generally first before any request is made for a large research project. I'm on vacation today, but can I call you on Monday about this. Thaks.

Robin

From: Amy, Glenn
Sent: Friday, March 02, 2012 3:23 PM
To: Howe, Robin
Cc: Sumitani, Megumi; Denzel, Mary; Rubin, Steve
Subject: RE: Discussion of CCSS Transactions for which User ID's are Not Recorded or Overwritten by a Later Action

The 'needed research' would likely exceed 160 hours. This would need to be prioritized through Steve Rubin.

-Glenn

From: Howe, Robin
Sent: Wednesday, February 29, 2012 12:01 PM
To: Amy, Glenn
Cc: Sumitani, Megumi; Denzel, Mary; Howe, Robin
Subject: RE: Discussion of CCSS Transactions for which User ID's are Not Recorded or Overwritten by a Later Action

Glenn,

We would like to get the details on CCSS transactions and the recording (or not) of user ID's. Should we call you tomorrow or Monday to discuss what information you have currently? And could you please go ahead and do the needed research to be able to provide us with more details? Please let me know when I should check back with you on these two matters. Thanks.

Robin Howe, CIA, CISA, CGAP, (CPA candidate - AUD, FAR, REG, & BEC passed) Assistant City Auditor City Auditor's Office City of Seattle 206.615.1131, fax 206.684.0900

From: Howe, Robin
Sent: Friday, May 11, 2012 4:09 PM
To: Sumitani, Megumi
Cc: Denzel, Mary; Howe, Robin; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

Megumi,

Please see the attached email. I think this may have occurred when you were away in Vancouver for ACL training? But at any rate, Glenn did not send us any "data" of a list of transactions for which User ID's were not recorded for transactions involving the application of credits to accounts; he just took care of it with this PIC system change request so that it won't happen anymore. There should now be an audit trail for these transactions, according to Glenn.

As I understand it, prior to this PIC change, if anyone made a credit "against" a billed item, versus entering a separate MISD transaction (or some other kind of separate credit adjustment transaction), then the User ID was not captured. Example – I got billed \$100 for garbage – then the Call Center Agent entered into that line item on my account and credited me \$20 against that line item and so her/his User ID would be "overwritten." Whereas, if the UAR entered a separate MISD for \$20 as per policy, her/his User ID would have been captured. According to Glenn, this prior internal control weakness has been resolved.

Let me know if you have any further questions about this.

Robin Howe, CIA, CISA, CGAP, (CPA candidate - AUD, FAR, REG, BEC, & Ethics passed)
Assistant City Auditor
City Auditor's Office
City of Seattle
206.615.1131, fax 206.684.0900

From: Sumitani, Megumi
Sent: Thursday, May 10, 2012 5:02 PM
To: Smith, Ian
Cc: Jones, DavidG; Denzel, Mary; Howe, Robin
Subject: RE: If this is all you need. Disregard my memo.

Thank you, Ian, for thinking to include the documentation that you refer to in #7. If you think of more, please let me know anytime.

I checked with Robin, and Glenn has apparently given us the data regarding the "behavior" of user ids in various CCSS tables, and I just wasn't aware of it. I'll get that from Robin on Monday.
Megumi

From: Smith, Ian
Sent: Thursday, May 10, 2012 2:54 PM
To: Sumitani, Megumi
Subject: RE: If this is all you need. Disregard my memo.

7.1 Yes.

7.2 Yes. Anything else like that. User ID was just an example. Sometimes there are internal acronyms, codes, or keys that user just know (or have written on a sheet of paper). Some systems are separate but somewhat overlapping with other systems. Data that appears the same may not actually be referring to the same thing. Sometimes data that correlates to other systems (check numbers, GL codes, vendor numbers) may not make sense without that other system.

7.3 Yes. Sounds like you're on top of this already. My concern was that a third-party reviewing the data they may not fully understand what they are seeing and anyone involved may not recall the specific details. This is sort of the converse of the above. Data that they think they understand is misleading, corrupt, or irrelevant in the context. Sort of like a timesheet that just shows the hours of vacation used but not the hours worked in a given period.

From: Sumitani, Megumi
Sent: Thursday, May 10, 2012 9:58 AM
To: Smith, Ian
Cc: Denzel, Mary; Jones, DavidG
Subject: RE: If this is all you need. Disregard my memo.

Thank you, Ian.
Please see my questions in red font below.
Megumi

From: Smith, Ian
Sent: Thursday, May 10, 2012 8:06 AM
To: Sumitani, Megumi
Cc: Denzel, Mary; Jones, DavidG
Subject: If this is all you need. Disregard my memo.

1. What was provided:

Data extract of the CCSS database used for this audit. Extract consists of the following list of files

Full_exp_CCINDUSX_04052012.log
Full_exp_CCINDUSX_04052012.logSave
Full_exp_CCINDUSX_04052012_file1.dmp
Full_exp_CCINDUSX_04052012_file2.dmp
Full_exp_CCINDUSX_04052012_file3.dmp
Full_exp_CCINDUSX_04052012_file4.dmp
Full_exp_CCINDUSX_04052012_file5.dmp
Full_exp_CCINDUSX_04052012_file6.dmp
Full_exp_CCINDUSX_04052012_file7.dmp
Full_exp_CCINDUSX_04052012_file8.dmp
Full_exp_CCINDUSX_04052012_file9.dmp
Full_exp_CCINDUSX_04052012_file10.dmp
Full_exp_CCINDUSX_04052012_file11.dmp
Full_exp_CCINDUSX_04052012_file12.dmp

2. From whom

Glen Amy, SCL

3. When it was provided:

On April 10, 2012 Glenn Amy of Seattle City Light (SCL) made the files available by FTP

4. What actions were necessary and completed:

Files were transferred via FTP to local workstation then transferred to the server location used for this audit

5. How the material will be stored:

At the conclusion of the audit AND at the discretion of the Office of City Auditor all files related to this audit will be copied to removable media. This media will be provided to OCA.

6. How they will be accessed if the need arises:

Files must be restored to an operational database. This work must be performed by someone with advanced knowledge of Oracle. This restores the data to the same format used in the audit.

7. And any other items and issues you believe should be documented that are not included above.

1. Data dictionary outlining the description and purpose of all data elements
Ian, attached is the data dictionary Glenn provided (CCSSTableColumns.xls). Is this what you're referring to or something else?
2. Any cross-reference information that is not stored in the database, such as employee number or login ID as it relates to an actual individual. Numerous employees may have the same last name+first initial combination. It is necessary to know what the actual user ID used by an individual was at the time of this audit.
Ian, attached is the list of CCSS Users and their login ID which Glenn provided (CCSS Users and Security Classes.xls). Is this what you're referring to or something else?
3. Detailed description of any particular elements used in the audit (notes fields, last changed by user). This may be important to explain why certain fields that appear to indicate user activity were not used "as-is". For example, since the "notes" field updates only the last person that viewed the file, it may be necessary to explain why that individual was not necessarily the person that actually updated the "note".
Ian, these would be our documentation pertaining to anything we noted in terms of anomalies or irregularities in what the CCSS database tables might show, correct? For example, the one about User IDs and when they are recorded, not recorded, and overwritten, etc., correct? At this point, this is all we are aware of so far, and we need to work with Glenn Amy on this (see 2012-03-02 Robin-Glenn Unrecorded user IDs.pdf) but it will take him over 160 hours to do the research and we haven't moved ahead on it yet. If this is what you're referring to, I'm not sure of the timing of when we'll get to this but OK we plan to document this and when we do, we will store the documentation with the removable media.

CCSS Data Mining Investigation

2011-06	CCSS Data Mining Investigation
PREPARED BY (INCLUDE TITLE AND PHONE NUMBER):	Mary Denzel, Assistant City Auditor, 684-8158
PERSON(S) INTERVIEWED:	Guillemette Regan, SPU Director of Risk and Compliance, Seattle Public Utilities (SPU), 233-5008
AUDIT STAFF PRESENT:	Mary Denzel Megumi Sumitani Cindy Drake Ashaad ???
DATE OF MEETING:	5/22/2012
DATE PREPARED:	5/24/2012
DURATION OF MEETING:	1 ½ hours
PURPOSE OF INTERVIEW:	To provide Guillemette with the names of Seattle Public Utilities employees identified in our data mining process as having worked on their own account, or having an unusual number of broken payment arrangements on their own account.
REVIEWED BY:	Megumi Sumitani 5/25/12
Documents Requested:	
Action Items:	

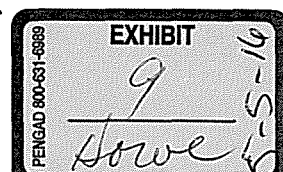
Highlights of Discussion:

Mary showed Guillemette a summary of information from our data mining that warrants further investigation. See Attachment 1 for an overview of the information provided to Guillemette.

Guillemette drew a distinction in the levels of severity of offense between cases where an employee performs standard business activities on their own account or that of a family member, and an employee who financially benefits in a way not available to regular customers from a business activity performed on their own or a family member's account.

Discussion of notifying the City's Ethics and Elections Office. Mary explained that Kate Flack from the City's Ethics and Elections Office (Ethics) has been calling regularly to inquire about our findings from the data mining effort. Guillemette said that if Ethics comes in too soon it can impede and potentially destroy SPU's investigation process because SPU's discipline process with the employee(s) is incomplete. Guillemette noted that because Ethics' process is "so public", involving them before SPU has completed its investigation for possible disciplinary actions can "spoil" SPU's process.

SPU prefers that Ethics wait until Guillemette's Risk and Compliance staff have completed their investigation, written their report, and prepared a recommendation for the division director over the branch where the identified employee(s) work (this has been Susan Sanchez in the Customer Service branch for the recent series of investigations).



CCSS Data Mining Investigation

The division director then sends their recommendation to Ray Hoffman, the department director. Guillemette prefers that the employee has been advised about the outcome of the investigation and the branch director's disciplinary decisions before the report is sent to Ethics. This way Ethics can complete a report and make a recommendation, which will be additional information for the department head in making the department's final decision. [Auditor's note: City Auditor David Jones and Mary Denzel met with Wayne Barnett and Kate Flack from Ethics on 5/24/12. The Ethics staff agreed that this was the approach they prefer. They also informed Dave and Mary that they are not investigating any activity that occurred before 2008].

Guillemette said she will send the Office of City Auditor (OCA) her investigative reports at the same time she sends them to Ethics.

Evidence of wrongdoing by Seattle City Light (City Light or SCL) employees discovered during SPU's investigations. Guillemette expressed concern that City Light may not adequately follow up on investigating City Light employees identified during SPU's investigation process. Guillemette's team has passed along some names of City Light employees who appear to have engaged in questionable activity, but she does not know whether SCL has done further investigation or discipline of those employees.¹

Mary said OCA met with SCL's Carol Butler and Kelly Enright on 5/21/12 to share the names of four SCL employees whose account activity raised concerns and warranted further investigation. Mary mentioned Jean Razon, Sherry Leaza Allen, and Erin Dixon. Guillemette recognized Jean Razon and Sherry Leaza Allen as names she had also forwarded to SCL.

Analytics. Guillemette said apart from the issue of employees working on their own accounts, she believes there is a problem with employees working on each others' accounts. She believes there are groups of employees clustered by race (African American, Filipino American, White American) who exchange favors for others within their cluster. Mary explained that we did not do an analytic that identified employees working on each others' accounts, only working on their own or family members' accounts.

Guillemette said another area where she sees suspicious activity, and which warrants further investigation, is with the EBZW code, which means delinquent debt amounts are automatically written off (small amounts, perhaps under \$100) or "written off to collections" (which apparently means SPU writes it off in their books).

¹ One example is Sandra Scott, a manager in SCL Credit and Collections who is suspected of warning certain employees in SPU that they have been "red-flagged" by SPU and OCA. Ms. Scott attended a meeting with SPU and OCA early in the investigation process in late 2010 or early 2011 where certain names and transactions were discussed before SPU started formal investigations on them. Shortly after this meeting, two employees under investigation took actions to rectify their inappropriate account status.

CCSS Data Mining Investigation

Guillemette's staff have also noticed a pattern of employees running up debt on an account under the name of one family member, then changing the account name to another family member, and running up debt under that name.

SPU's investigation-discipline process. Guillemette explained that she has made a chart of the cases her staff have investigated showing the dollar amounts, the numbers of transactions, and the consequences of the behavior. She forwards this with her investigative report(s) to Susan Sanchez (the director of the Customer Service branch where the employees being investigated work). Susan Sanchez then makes a decision about the appropriate disciplinary action and writes a letter containing her decision. Then Guillemette meets with Susan, and Susan sends her recommendation to Ray Hoffman.

If the employee requests it, a Loudermill hearing will be held. A Loudermill hearing is an opportunity for an employee facing discipline to state their case to the department head.

After a Loudermill hearing (if requested), the department head makes a decision based on the investigative report, the branch director's recommendation letter, and any Ethics investigative report.

Other Areas Discussed. Guillemette said that SPU currently has about 12 individuals under investigation. She explained that what her unit has been doing is to look up "everything in CCSS" once a person has been identified as performing a suspicious transaction. She agreed that CCSS can only go so far in terms of identifying inappropriate transactions, that it's just a start, and that she and her staff look to gather other information, such as anecdotal information linking individuals to other individuals under SPU investigation. For example, Guillemette told us about Eric Bird, a manager in the public waste program, appears to have made a service order for another employee (who was with SPU but now with SCL) that resulted in a financial benefit for the employee.

CCSS Data Mining Investigation

Attachment 1.

Findings Summary, CCSS data mining

Mary Denzel, May 22, 2012

People who worked on their own accounts

Name/dept	Analytics Questions	Action	Date (approximate)	\$
Luisa Johnson/SPU	16 (pmnt arr own acct) 17 (canceled " own acct)	Made and canceled payment arrangements on spouse's account	2005, 2006, 2008 (2), 2010	116.46, 155.5, 241.8, 199.02, 299.99
Debra Warren/SPU	16 (pmnt arr own acct) 17 (canceled " own acct)	Payment arrangement to spouse's acct Cancel pmnt arr to spouse's account	2002, 2007, 2009, 2010	47.37, 143.69, 121.76, 162.37, 141.06, 230.01, 139.54, 140.05, 121.76
Kimberly Monroe/SPU	13 (adj own acct) 14 (adj own acct) 16 (payment arr own acct)	Adj to account, her address, brother's name Adj to account, her address, brother's name Payment arrangement to sister's account	2010 2010 2003	Reversed \$30 or \$40 in late fees before they hit the account. \$131
Tanisha Wagner/SPU	13 (adj own acct) 16 (pmnt arr own acct)	Account move from self to domestic partner Set up payment arrangement on own account, appears to have paid in full.	2/11/2011	\$16 set up fee \$300.47 paid per plan
Vanessa Matlock/spu	16 (pmnt arr own acct)	Payment arrangements on spouse's account	2001-2006, 2010	60 line items
Maryam Mason/SPU	13 (adj own acct) 14 (adj own acct)	Charge for temp svc jumper, immediately removed, no CCSS service orders, no maxim work order. May have been done as demo during a training.	2009	137

CCSS Data Mining Investigation

CCSS Data Mining Investigation

Multiple Broken payment arrangements. Are these legitimate? If not, who authorized them?

Sherellis Quartimon/SPU (67 of 68 SCL broken, 82 of 86 SPU broken)

June Safford/SPU (5 of 7 SCL broken)

Edita Manalo/SPU (35 of 49 SCL broken; 20 of 32 SPU broken)

Cheryl Parker/SPU (35 of 63 SPU broken)

Latosha Taylor/SPU (in name of spouse James Taylor) (6 of 6 SCL broken)

Low Income Rate Assistance Question: Gabriel Jackson's address in HRIS is same as Ester Jackson (7538 Roosevelt Way NE), and Ester is re

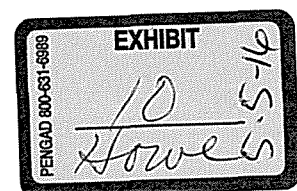
SPU CCSS TRANSACTIONS & CUSTOMER ADJUSTMENTS REVIEW

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POTENTIAL ISSUES LIST

- **Customer Service and CCSS Procedures and Policies** SPU Customer Service policies and procedures on CCSS transactions and protocols are not adequate.
 - At the time the work for this review was initiated, there was no documented policy within the CCSS policies and procedures manual that stated employees were not allowed to enter transactions on their own utility accounts. However, during based on prior audit interviews with Customer Service employees, we were told that this policy was verbally communicated to employees (**can we define what type of employee received this training?) during training. SPU senior management established a new policy covering this issue in detail was established by SPU and that was implemented and communicated to (**whom?) by SPU senior management in April 2011.
 - Although all SPU and SCL employees (and vendors) with access to customer utility accounts in CCSS must sign a Confidentiality Agreement form, the agreements but it currently doesn't prohibit address that employees may not from working on handle their own accounts, nor does it address employees' handling accounts of their friends or relatives. SCL and SPU are working on revising this form and incorporating these items into it. The revised form's estimated date of implementation of the new form is ~~XX~~ and pending ~~XX~~ (**?).
 - The Call Center has a policy (**is it really a policy if it hasn't been written down in a formal policy document? Isn't it more accurate to describe it as a practice?) to waive one \$10 delinquency fee for a customer over the life of their account, and while this policy has been communicated to employees verbally and in training (**I don't understand the difference between communicated "verbally" and "in training") it has not been documented.
 - (**Perhaps this should be listed first in this section as it makes a broad statement about the lack of written p&p) In general, there is a lack of documented policies and procedures for SPU Customer Service functions. SPU is conducting a comprehensive review of Customer Service internal controls and policies/procedures and this review will be the first step in addressing this problem in that needed control improvements will be identified. Then, new procedures will be developed, documented, and implemented.

- **Call Center Staff Training** There appears to be a need for improved and ongoing training for the staff of the SPU Combined Utility Call Center:
 - Our interviews with four separate SPU Customer Service employees indicate there is a need for more regular and ongoing training of Customer Service staff on policies. Notably, we were told that employees still have questions about ~~on~~ how to handle certain things, including low income rates, handling the accounts of people or businesses that the Utility Account Representative (UAR) knows, etc.



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One employee said ~~there is a need for clarification of policies~~ need to be clarified and a ~~greater improved~~ awareness by employees of where policies are located.

- **CCSS System Access Rights** There are staff ~~in (SPU, and SCL and other departments)~~ with update-level access rights to CCSS that are not necessary for them to perform their job functions.
 - At the time of our fieldwork for this review, over 300 City employees had update-level access to CCSS. ~~SPU and SCL have started working on reviewing all employee access rights to CCSS. SPU and SCL are working on reviewing all CCSS access rights and removing or limiting access where appropriate. This should be completed by XX.~~
 - A SPU employee who worked in the Engineering ~~unit/department~~ had update-level access to CCSS and entered two false cash payments to his own utility accounts. These payments were identified by SPU through a daily reconciliation process and the employee in question was terminated. This individual required only read-only access to CCSS for his job duties.
- **Customer Adjustments** Controls over customer adjustments made by SPU Customer Service (and other staff~~??~~ And why is this in parentheses?) are not adequate to prevent ~~or detect~~ unauthorized adjustments. About \$15 million per year in credit adjustments are entered in CCSS.
 - ~~Until~~ Prior to recently ~~(**could be more precise about when the more complete reviews started?)~~ ~~months~~, there was limited review of customer adjustments made by SPU employees. The Auditor in the SPU Residential Customer Audit unit only reviewed adjustments over \$500.
 - CCSS system controls do not prevent a UAR or non-~~s~~Supervisor/~~m~~Manager from making customer account adjustments over a certain dollar level. We recommend establishing dollar level limits for adjustments entered by non-supervisors ~~or management~~.
 - Reason codes and comments help to explain why adjustments are made and serve as a control to help ensure that adjustments are being made in accordance with ~~appropriately and per policy~~. We found many instances of credit adjustments made without reason codes or comments ~~entered~~. For some employees, it appeared that they never enter this information. For example, one employee who entered 19% of the total credit adjustments for a month-long period (Ms. Theofelis) didn't enter reason codes or comments for any of the adjustments she made. It also appears that SPU Customer Service training may not properly train employees to enter reason codes or emphasize this procedure strongly enough.
 - Management reporting on customer adjustments is needed, both at the total and individual CCSS user-level. Without this information, management has no ~~efficient means~~ basis to help identify employees who might be ~~are~~ making

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~~inappropriate abusing the use of~~ credit adjustments, ~~and for monitoring~~ adjustment trends, etc. For example, as noted above, one employee entered 19% of the total credit adjustments for a month-long period and this seems, ~~which is unusual because as since~~ there are over 70 employees in SPU Customer Service who make adjustments as part of their normal job functions.

- o SPU has initiated a project to review customer adjustment controls and is hiring a consultant to assist with this project. SPU plans to improve controls and implement new procedures after this work has been completed. ~~We would add a recommend that during this project SPUation to~~ review the industry standard practices for this area ~~by contacting with~~ other municipal utilities.
- o SCL has also been reviewing their customer adjustment procedures, as a result of recent events, and believes ~~their controls have been working more effectively are in a better position than SPU's.~~ Nevertheless, SCL would also benefit from tighter controls, ~~as noted in the areas noted points above,~~ ~~such as and from regular~~ management reporting ~~ing~~ on adjustments. SCL will continue to review and evaluate their procedures over customer adjustments.
- o In general, we believe supervisory review and approval should be required for higher dollar level adjustments and adjustments that deviate from standard SPU/SCL policies ~~and~~ procedures.

- **Refunding Late Payment Fees and Interest** Call Center UAR's can and do waive late fees (i.e., \$10 fee per bill for delinquent accounts and, ~~in some cases,~~ interest on the outstanding balance ~~in some cases~~) in exchange for a ~~promise for a~~ delinquent customer's ~~promise to pay their outstanding balance.~~ Call Center agents will often agree to credit back delinquent fees if the customer ~~will make a promises to pay a much larger~~ delinquent balance. ~~Although this has been an accepted practice of Call Center agents have this authority,~~ though there are no documented policies ~~on discussing this.~~ There are also ~~no and there are no~~ limits on the refund amount agents can make, either in the CCSS system or defined in SPU ~~per policies,~~ to the amount the agents can credit back to the customer. We believe the Call Center needs a stricter policy over late fee waivers ~~this.~~ We recommend ~~that~~ documented policies be established and dollar-level limits be set for what ~~type of refund transactions needs to be handled (**approved?)~~ by a supervisor.

- **Refunding Extra Garbage Charges** SPU policy states that disputed extra garbage charges may be credited back once per year for a customer. ~~However,~~ ~~but one~~ Call Center employee we interviewed (Ms. Theofelis) said ~~that the disputed charges~~ may be removed the first two times they are requested by the customer, but if they are disputed a third time, this request must be referred to the Solid Waste Field Inspection team to investigate. Call Center UAR's may be crediting back extra garbage charges too often if their understanding of policy matches that of this employee.

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- **Payment Plan Arrangement Policies** PThere is a need to tighten up payment plan procedures should be revised to make them more restrictive.
 - Current procedures appear to be excessively generousliberal to customers byand allowing themcustomers to repeatedly cancel and re-establish payment plans (i.e., called due date extensions). Cancelling and re-establishing payment plans allows customers to be essentially on a “rolling” or permanent payment plan. This was not the intention of the utilities’ payment plan policy; itand allows customers to skirt the requirements that a current payment plan must be paid off before they can have a new one and that a customer can only have two broken payment plans (i.e., customer failed to make the payment on time) within a year.
 - While some UARs will cancel and re-establish payment plans for customers, some will not. According to XXX. dDelinquent customers realizehave figured this out and will “shop” the Call Center by calling several times until they get a UAR who will accommodate their requests. Furthermore, sAnd some customers will are calling at the UAR’s direct phone line instead of calling versus the Call Center, line although this is a violation of Call Center policy (**This needs to be reword. How can a customer violate Call center policy? Isn’t employees who violate the policy? Also, how is an UAR going to know if a customer has already called another UAR?) and it reduces the likelihood of maintaining an “arms length” relationshiptransactions with the customers on transactions. (Auditor’s Note: The fact that some UARs will cancel payment plans and then set the customer up with a new payment plan whileand some UARs will not for customers who have had repeated payment plans could indicate that the UARs know that this type of transaction is not really appropriate, even though it may not violate any actual policy per se.) Payment plans are numbered consecutively in a customer account so the UARagent can easily see how many plans a customer has had. Also, UARsAgents are trained to review every account that they handle to see its status and history: what is going on with it and this requirement is documented in the Call Center training materials. In light of this, it would be obvious to agents if customers were on “rolling payment plans.”
 - Customer Service officials indicated there is no minimum balance threshold requirement for a delinquent customer to be eligible for a payment plan. We recommendbelieve that a requirement for a minimum outstanding balance should be established.
 - SPU and SCL have requirements for deposits of 50% or 75% for payment plans, depending on the status of situation with the customer’s delinquent account, but there are no controls built into CCSS to ensure such deposits are madealong these lines. Call Center management indicated that UARsagents are not always requiring these payments and may sometimes reverse late fees. UARsAgents should get approval from their supervisors in these cases, but they aren’t always doing this and the supervisor approvals are not (**always?) documented.
 - SCL and SPU’s payment plan policy allows any past-due customer to have a payment plan, but not if they have broken two plans within one year. (**Let’s

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- discuss the following recommendation. How often does this happen?) This seems overly generous ~~to us~~ and we would recommend allowing either one broken payment plan per calendar year or two for the life of the account.
- There is no ~~maximum~~ payment plan maximum dollar limit ~~level~~ that requires a UAR to pass the decision to handle and requires a ~~S~~Supervisor or ~~m~~Manager to handle. There are certain “exceptions” that require supervisory approval but these are not based on the dollar level of the payment plan. We recommend establishing a dollar level limit for payment plans handled by non-supervisors.
 - There is a need for improved CCSS reporting on payment plans. Customer Response (**is this a unit within SPU?) has a need for some sort of system-driven email or notice to the employee who set up the plan to allow them (**it's not clear who “them” refers to. Is Customer Response or the employee who set up the plan?) to contact a customer if a payment is due or overdue. SPU management needs management reporting on payment plans with information on how many plans are active, the total dollars involved, how many have been broken, etc. The Call Center could also utilize their new quality assurance software to help with monitoring payment plan activity.
 - We noted several instances of utility employees with a high number of payment plans whose accounts fell into the situation of being on a “rolling” payment plan by through the use of due date extensions. This indicates a need for tighter controls over employee payment plans. We recommend that all payment plans for utility employees (and other City employees if it is known the customer is a City employee) be handled only by a supervisor/manager. (**I have concerns about the following sentence. I am concerned about not extending this to people solely because of their status as City employees. Some City employees don't make a lot of money and could through no fault of their own require a plan) Ideally, in our opinion, the best situation would be to not extend the option of a payment plan to a City employee.
- **Call Center Staff Handling Utility Transactions for Each Other** At the starttime of the initiation of this review, it appeared (**I prefer to avoid the use of this word because it basically states that we are speculating). Could we revise this sentence to get rid of it?) to be common practice for Customer Service employees to handle utility transactions for co-workers, including setting up payment plans, handling energy grant referrals, etc. SPU's ~~new~~ policy issued in April 2011 made it clear that it is not an acceptable practice for Customer Service employees to handle utility account transactions for co-workers; these transactions must now be handled by a supervisor or manager.
 - SPU's and our analysis of CCSS data indicated co-workers frequently handling utility account transactions for each other. We noted that it appeared that an employee would have a certain individual repeatedly handle transactions for

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them, including setting up payment plans, removing late fees, etc. This indicates to us that there may be collusion among SPU Customer Service employees to provide ~~do~~ "favors" for co-workers ~~within the form of~~ beneficial account transactions/adjustments [in exchange for receiving "favors" in return from co-workers ~~what's the evidence that favors were exchanged?].~~

- o Based on SPU's and our preliminary review of CCSS transaction data, it appears ~~(**see prior comment about this word)~~ that employees may be teaching ~~(**I'd be very careful about saying this: what's our evidence?)~~ other employees how to utilize CCSS transactions to benefit themselves and friends and family members. This conclusion is based on the fact that some newer employees have entered certain types of transactions to benefit their own account. ~~(**But can we prove they learned this from someone else versus did it on their own?)~~
- o We found several instances of employees crediting back late fees for other employees. The utilities' standard practice is to credit customers back for only one \$10 late fee but we saw several instances where employees were credited back for multiple \$10 late fees by other employees.
- o SPU's and our analysis of CCSS data indicated co-workers setting up payment plans for each other, as well as for their ~~own~~ supervisor. We recommend that all payment plans for utility employees (and other City employee if it is known they are a City employee) be handled only by a supervisor ~~or~~ manager.
- o We noted several examples of employees who ~~repeatedly had had one~~ payment plans ~~after another that were~~ set up for them ~~by~~ for their co-workers. For the data we looked at, most of these payment plans did not appear to comply with SPU/SCL policy in terms of the required deposits.
- o ~~(**Will need to remove the following references by name to City employees)~~ For example, Ms. Davis-Raines, who works in the SPU Call Center, had 77 payment plans set up for her by co-workers that do not appear to comply with SPU/SCL policy. Ms. Cordamon, who works for the SPU Call Center, had 146 transactions entered on her account by other employees and 31 adjustments to credit a total of \$180 to her account. She did not enter any transactions to her own account. Ms. Johnson, who works in the Utility Payment Center in the SMT building, entered ~~many "tons" of~~ payment plans for co-workers. Ms. Johnson also entered ~~significantly way~~ more payment plans for regular customers than is average for Customer Service staff. A frequency chart of payment plans identified that Ms. Johnson entered a very high number of plans to certain employees and certain customers. It is possible that Ms. Johnson may ~~have~~ set up ~~many more~~ employee payment plans because she works in the Payment Center ~~and it may be that~~ employees preferred to go to her to have payment plans set up ~~rather~~ than deal with the Call Center or Credit and Collections ~~units~~ over the phone. Ms. Johnson also had a high number of payment plans on her own utility account – 60 in total from 2001 through 2010 – and Ms. ~~Thompson~~ Thompson, who works in the Call Center, entered 32 of these payment plans. There was a question as to whether Ms. Johnson made the deposits required per policy for these payment plans, and

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this question applies to the payment plans for other employees, as well. (**Has anyone tried to verify this yet?)

- **Call Center Staff Accessing Their Own Utility Accounts** We heard from several Call Center staff, that ~~before~~^{prior} to April 2011, it was common practice (**by whom? UARs?) ~~to accept~~^{to be accepted} that it was alright to access your own SCL and SPU accounts, as well as those of relatives and friends. This included entering notes on your own account, reviewing account history, entering service orders, changing garbage service levels, etc. SPU's ~~new~~^{new} policy issued in April 2011 makes it clear that it is no longer an acceptable practice to access your own account or the account of a relative, friend, or close contact.

- **Call Center Staff Entering Transactions on Their Own Accounts and Relatives' Accounts** We found that some Call Center staff entered transactions in CCSS on their own accounts or the accounts of close relatives:
 1. Before SPU issued a policy forbidding employees entering transactions on their own utility accounts, ~~some~~^{some} Call Center employees told us that it was ~~acceptable~~^{acceptable} to enter transactions on your own utility account ~~do this while~~^{do this while} prior to the implementation of SPU's new policy on this in April 2011 and some employees said that it was not. After SPU released ~~their~~^{their} new policy on handling accounts in April, a few employees stepped forward as whistleblowers and independently reported the names of ~~three~~^{three} employees ~~who~~^{who} that were making inappropriate adjustments to their own accounts. SPU and OCA are following up on these whistleblower reports.
 2. Ms. Matlock confirmed data indicating that she had removed late fees from her own account in 2002 and 2007. We noted that Ms. Matlock made 94 transactions on her own account (**between when and when?), including setting up 69 payment plans for herself. By putting herself on payment plans, Ms. Matlock avoided late fees, though her account was continually delinquent, and ~~she avoided~~^{she avoided} water and electric shut-off. Also, it does not appear that Ms. Matlock made the ~~required~~^{required} 50% deposit for each payment plan, as is required by SPU/SCL policy.
 3. Ms. Theofelis confirmed data indicating that she had removed extra garbage and late fees from her parent's account on several occasions ~~in the past~~.
 4. Ms. Bradford confirmed data indicating that she has removed late fees from her own account ~~in the past~~.
 5. We noted that several employees set up payment plans on their own accounts, including Ms. Kaufman and Ms. Matlock (set up over 60 payment plans for herself)(**does "herself" refer to Ms. Kaufman or Ms. Matlock?).
 6. We noted that several employees, including Ms. Bradford, set up payment plans for close relatives, such as parents, ~~including Ms. Bradford~~.
 7. We noted that Ms. Bradford approved an EAP grant request for her daughter, who currently lives at the address listed in the ESS system as Ms. Bradford's home

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address. Ms. Bradford's income was not listed on the EAP application as part of household income.

8. Ms. Monroe, who works in the SPU Call Center, adjusted her own account 4 times, totaling about \$70, and set up 4 payment plans for herself (via her husband's account). Ms. Monroe is related to several other City employees (at least 4 sisters and 2 relatives) and SPU has found that she adjusted the accounts of her relatives, but they have not yet had time to look at the account history for all of the relatives.
9. SPU's analysis identified that Ms. Williamson, who works for the SPU Call Center, lives with her mother, sister, and daughter, and made ~~many lots of~~ adjustments to ~~people folks~~ listed as her ~~emergency c~~contacts, and to a possible relation who works for the City's Parks Department. She set up 34 payment plans for that Parks employee.
10. Ms. Kaufman set up four payment plans for herself, and then paid them off later. Ms. Kaufman has not been employed with SPU for that long (~~that long~~ is pretty vague). SPU management and OCA suspects that other more senior Call Center staff taught Ms. Kaufman how to avoid late fees through the use of payment plan arrangements.
11. Mr. J. Phan entered 'Manual Cash Payments' on his utility account for a rental property via CCSS without actually making any payments. The employee denied that he did this, repaid one of the amounts later, and altered a copy of his bank statement to support his statement. SPU HR determined that the employee's bank statement was altered because it was visible as a poor job of cutting and pasting and use of white-out. In addition, while the payment transaction posted on 10/22/10 in CCSS, the altered bank statement indicated it was made on 10/29/10. Shortly before the employee entered the false cash payments, he went into his account and changed his Yardwaste/Recycle solid waste service on his rental property. This employee had broader access rights to CCSS than he should have, given his job in SPU Engineering.
12. Ms. S. Howard entered various transactions on her own utility accounts and for close relatives:
 1. She created her own payment plans, had many payment plans with no deposit paid (i.e., it is SPU's policy to require a deposit for payment plans) and payment plans in quick succession, and canceled water shut-off orders on her account.
 2. Ms. Howard handled energy grant transactions for her own SCL account. There were two energy assistance payments for \$1000 each applied to her SCL account. These energy grants are federally-funded but locally administered by CAMP (the Central Area Motivational Program). For the first grant that was applied there was a note on the account that indicated something ~~(???)~~ like "Roommate dispute – applied to this account (i.e., Ms. Howard's) in error. Should be applied to account belonging to Paul Webb." The note indicated that Ms. Howard had made a payment on Paul Webb's account to correct the situation. It appears that these notes were

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entered by Ms. Howard, but weren't entered until late August 2010, which was a year or so after the grant was applied. There was no note on the account in relation to the second pledge of \$1,000.

3. Ms. Howard entered a note on her account "OK to turn power on" at one point when her SCL account was significantly delinquent and was scheduled to have the power shut-off per SCL policy.
 4. Ms. Howard canceled a SPU Water Shut-Off Notice on her own account.
 5. Ms. Howard waived late fees on her own account and we also noted that there were many late fees waived for her by other SPU employees.
 6. Ms. Howard entered her own meter readings when she opened a new account and moved to a new residence several times.
 7. She credited back late fees for her father's account.
 8. Ms. Howard referred her father's account for several energy grants.
13. SPU's transaction analysis indicates some SPU employees are adjusting the utility accounts of their family members, including those that work in another area of the City. For example, analysis conducted to -date indicates that there are two sisters ~~whohat~~ work in Customer Service that are frequently adjusting the accounts of family members and friends, a husband's rental property, and referring family members for energy grants, etc. We are concerned that some of these transactions may be inappropriate.

- **Energy Grants and Reduced Rates for Employees** Controls do not appear (**Why do we say "appear"?**) to be adequate over the determination of qualifying SPU/SCL employees' eligibility for the various energy grant programs available and the SPU/SCL reduced rates program (i.e., rates are reduced to 50%). We are concerned that some utility employees may be reaping the financial benefits of these programs when they do not actually qualify for them based on program income guidelines. It should also be noted that certain energy grant programs are federally funded (i.e., LIHEAP) and any abuse of this program represents an abuse of federal funds.

- o There were two \$1,000 Energy Assistance Grants from CAMP (for the federally - funded LIHEAP [low income heating energy assistance program]) applied to Ms. Howard's SCL account. Ms. Howard's income was not listed on either grant application, though that is a program requirement of the program. Given the level of her salary as a Supervisor for SPU Customer Service supervisor, it would be appropriate to verify we question whether this account would have been eligible for a grant had Ms. Howard's income been properly included as part of the ~~with~~ household income listed on the application. In addition, for the grant that posted to Ms. Howard's account in April, 20-09, there was a note (**on what?**) that the grant was supposed to be given to Paul Webb but somehow was applied erroneously to Ms. Howard's account. Ms. Howard herself entered this note in August, 20-10 and stated that she had made a direct payment to this man's account to correct the situation. For the grant posted on 9/2/10, there was no

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explanatory note on the account. A Mr. James Bruce applied for this latter grant that posted to Ms. Howard's account and there was no Energy Form completed as is to be done per procedure.

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- o Ms. Howard received a WCEF energy grant for \$674 on 8/9/05 and \$500 on 12/11/06. This payment is for a federally-funded energy grant program utilizing Enron monies. This program is similar to Project Share in that it is for energy payment assistance for low income individuals and is administered by HSD for SCL. Ms. Theofelis entered the referral for the first grant and it was actually applied to the account by Ms. Woods in HSD. (Note: Ms. Woods has since been terminated for giving energy grants to friends/relatives who did not qualify for them.) The 12/11/06 grant was applied to the account by Ms. S. Scott in SCL Credit & Collections and a note was entered on the account by Ms. L. Beck in HSD about the grant and a payment arrangement. (Auditor's Note: It is unlikely that Ms. Howard would have been qualified for this grant program based on her salary as a supervisor.

- o The husband of an SPU manager, Ms. Scott, applied for and received a CAMP energy grant for their utility account. He (Mr. Frank) did not properly include his wife's income on the application and it is unlikely that the account would have qualified for the grant if he had based on his wife's salary as a manager. Mr. Frank's energy assistance applications also note that he receives Food Stamps and SSI. Mr. Frank is listed as the spouse of Ms. Scott in the City's HRIS system and he receives City medical benefits. The name on Ms. Scott's accounts was switched several times to make it look like she was moving when in fact the address never changed and it appears this may have been done to enable setting up the account up on reduced rates (i.e., 50% rates). SPU found a fake rental agreement to make it look like the manager's spouse was renting the house from the manager.

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- o Ms. McClure, who works in the SPU Call Center, lives with her mother, who (**Ms. McClure or her mother?) filed for energy assistance and did not declare Ms. McClure's income as is required.

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- o SPU's analysis of CCSS data indicates some relatives of employees who are set up on Reduced Senior rates, and we have questions about whether all of these individuals are concerned meet that there may be abuse in this area. There are strict income guidelines to qualify for the Reduced Rates program income eligibility guidelines.

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- **Reduced Rates and Energy Grants for Other Customers** Controls may(**?) not be adequate to ensure recipients of the utilities' reduced rates program and the energy

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~~grant programs' grants really meet the qualify for them based on programs' income guidelines.~~ There are new income thresholds that are more complex for some of the reduced rate and energy grant programs, including the utilities' Senior Reduced Rate program. ~~I and the Acting Director of MOSC~~ (**spell out acronym) has concerns about this program and whether everyone on the reduced rates qualifies for them.

- o ~~SPU~~ (**The following sentence needs to be revised to make it easier to understand) customers who are apartment dwellers and that are on the reduced rate program receive a year end refund check from SPU at the end of the year refunding them for 50% of the estimated water/sewer they used but didn't actually pay for because the water SPU is paid by the landlord. (Auditor's note: This auditor does not see how this makes sense since these customers do not and would not ever pay for SPU water/sewer charges. -RH)

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- **Accuracy of Employee ESS Information** It appears (**can we get rid of this word? If can't, do we really have enough evidence to include this section?) that employee address information in the ESS (**spell out acronym) system may not always be accurate and updated:

- o The information in ESS for Ms. Theofelis indicates she lives in Seattle, at the address where her parents currently live, and she states that she has lived in Auburn for the last 9 years. She indicated that the ESS data was not accurate for either her home or mailing address.
- o The information in ESS for Ms. McClure indicates she lives in Seattle, at the address where her parents currently live, and she states that she has lived in Federal Way for the last 1 1/2 years. She indicated that the ESS data was not accurate for either her home or mailing address.
- o ~~Ms. Bradford's ESS~~ The information in ESS for Ms. Bradford indicates that she lives in Seattle, at an address where her daughter and family live currently in a house owned by her mother, Ms. Bradford, and she states that she has lived in Renton for the last 9 years; however, ~~But,~~ she said that ESS is accurate for ~~her~~ the mailing address since all her mail goes to her old Seattle address.

- **Employee Utility Account Delinquency** (**Is this heading accurate? There's no mention of background checks) In reviewing CCSS data on employee utility accounts for this project, we noted many situations in which where the employee's accounts were basically continuously delinquent, often with a fairly significant delinquent balance. The ACFE (**spell out acronym) fraud triangle indicates that three things need to be present for someone to commit fraud – opportunity, motive or need, and rationalization. Employees currently have the opportunity to enter unauthorized transactions on their own utility accounts, since they enter CCSS transactions as part of

SPU CCSS TRANSACTIONS & CUSTOMER ADJUSTMENTS REVIEW

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their job, and we believe a delinquent account balance could serve as the motive to do so. The ACFE recommends conducting credit checks as part of employee background checks because fraud statistics indicate that it is more likely for individuals with poor credit history to commit theft, fraud, etc. We recommend that SCL ~~the utilities~~ and SPU add credit checks to the background ~~investigation~~ checks they conduct on new employees who will be entering CCSS transactions. The City's Personnel Department establishes the citywide policy on background checks and in the past it ~~has~~ve opted not to include credit checks on all employees (**aren't credit checks allowed on some employees?). Current City of Seattle background checkss include a criminal check and verification of work experience and education. The -Personnel Department may wish to reconsider ~~its policy~~this decision in light of the recent problems with employees making inappropriate utility customer account adjustments, employee abuse. Also, ~~or~~-SCL and SPU may opt to establish their own separate policy on employee background investigation checks. We also recommend that any employee transferring into a position where they will be entering CCSS transactions receive a background check (**including a credit check?), if they were not previously in a job that required one.

Date: April 1, 2014

To: Susan Sanchez, Customer Service Branch Deputy

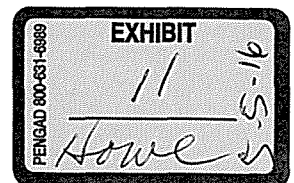
cc: Laura Southard, Human Resources Division Director
Charlene MacMillan-Davis, SPU Labor Relations Coordinator

From: Guillemette Regan, Director of Risk and Quality Assurance

Re: SPU audit of the CCSS system

Please find enclosed a final summary report of the CCSS Billing System Audit and Investigation and one for the associated Business Practices Recommendations. The Risk and Quality Assurance team really appreciated the cooperation and collaboration provided by the people involved in this effort and your patience in getting this massive effort completed.

Please let me know if you have any questions.



Consolidated Customer Service System (CCSS) SPU Audit and Investigation Summary

By Guillemette Regan, March 2014

In February 2011, Seattle Public Utilities (SPU) began a comprehensive audit of the Consolidated Customer Service System (CCSS) and associated utility account transactions spanning over 10 years of data. This effort came about as a result of two incidents SPU identified in late 2010, involving inappropriate transactions made by employees on their own utility accounts. SPU reported these incidents to the Washington State and City Auditors' Offices in late 2010. On February 1, 2011, the State Auditor's Office (SAO) notified us that they had identified a third inappropriate employee transaction.

SPU put together a team to conduct the audit and investigate any utility account transactions that appeared to be inappropriate. Led by SPU's Risk and Quality Assurance division (RQA), the team included members of SPU's Human Resources Division, the City Attorney's Office, senior management from SPU's Customer Service and Finance and Administration Branches and, initially, the City Auditor's Office. Data collected for review and analysis was pulled directly from the CCSS system with the help of Seattle City Light (SCL). The audit undertook to review data going back to when the CCSS system was installed in 2001—over 10 years of data. This quantity of data was chosen to demonstrate that SPU was being thorough and comprehensive.

The audit's predominate goal was to review and assess whether any other SPU employees had made transactions that violated City of Seattle policies or procedures, the City's Ethics Code, or financially benefitted themselves, family members, or close personal friends as a result of their access to the CCSS system. Transactions identified during the audit which raised questions of inappropriateness were analyzed further and reported to Customer Service senior management, Human Resources, and, where appropriate, to the City's Ethics and Elections Office. This report summarizes the effort undertaken, our observations, and our recommendations. Where a reference is made to employees, it generally means SPU Customer Service employees; there are some instances where the discussion applies to all SPU employees.

A secondary goal of the audit was to evaluate the effectiveness of established policies, procedures, and business practices. This latter effort is reported on separately.

We really appreciate the cooperation we received from the employees in the Customer Service Branch, those at SCL who helped us understand and work our way through the data, and in particular staff from SPU's Human Resources Division, the City Attorney's Office, and SPU Deputy Director Susan Sanchez for being excellent partners in working through the more complicated investigations.

OVERVIEW

The CCSS audit and associated investigations took the team a little over three years to complete. It is worth noting that between SPU and SCL there are 598,223 active accounts at any given time. In the 12 years of data analyzed by the audit, roughly 2.2 million accounts were opened and closed. During this

same time frame, over 150 million transactions were made to SPU and SCL customers' accounts and were billed over \$4.5 billion dollars.

The audit team analyzed in detail 1,058 utility accounts associated with SPU employees whose job duties required them to have read-write access to the CCSS system. Other customer accounts and ancillary data were also used to identify and analyze trends and anomalies.

The audit found a total of 1,336 transactions, over the 12-year period, made by employees on their own accounts, those of family members, or close personal friends. 718 of these transactions had a financial impact on the accounts, while 618 were administrative in nature, meaning they had no financial impact on the account; i.e. phone number change, notes, or request for a new garbage can.

Of the transactions with financial impact, 143 were account adjustments for a total of \$1,467; and 575 were for payment arrangements, which delay payment and avoid penalties on the account. We also found three instances of accounts receiving discounted rates for which they were not eligible, for a total of \$6,668; the credits on these accounts were reversed and have since been repaid. All transactions made by an employee to their own account—or to the account of a family member or close personal friend—were found to be violations of the City's Ethics Code, whether they had a financial impact or not.

As a result of this and other audits, Customer Service has instituted a number of improvements and is working on many more, including:

1. RESEARCH

In order to conduct the audit, we first needed to understand how the data within the CCSS system is stored, accessed, and manipulated via transactions. We also needed to find and understand SPU and SCL policies, procedures, and practices, and the roles employees across the city have in relation to utility accounts. Furthermore, since the audit period dated back to 2001, policies, procedures, and business practices during this time had to be compared to the relative time frames of transactions analyzed. Finally, we conducted dozens of employee and management interviews with Customer Service employees who could explain to us how and why business practices had developed over time. Records located and referenced included:

- CCSS/Banner training manuals provided to employees during classroom training sessions.
- CCSS Classroom training outlines and exercises.
- Knowledge Base information system—an interactive web-based system established in 2011 that contains tips, policy highlights, procedures, and current/status updates of information Customer Service employees need to know.
- Catalogue Desk Reference set—paper handouts and materials created prior to the existence of the Knowledge Base and since the Contact Center was established in 1997. The Catalogue Desk Reference set of documents was maintained on SPU's common drive and updated regularly since 2004. The information was organized in a logical manner by customer account transaction type and included policies, procedures, tips, directions, etc.

- Policies, Procedures, and Rules. Since June 2010, SPU has maintained a centralized policy and procedure web site where all formally adopted documents are maintained. Prior to the web site, each branch Executive Assistant maintained notebooks containing hard copies of adopted policies, procedures, and rules.
- Utility Account Representative (UAR) trainee and UAR level 2 knowledge assessment methods, samples, and answers.
- Solid Waste Collection Contracts.
- Human Resources new employee packages, which include forms, handouts, and benefits eligibility criteria.
- Seattle Municipal Codes.
- Mayor's Office of Senior Citizens, Utility Discount Program, policies, procedures, and eligibility criteria.
- Washington State eligibility criteria for Low Income Heating and Energy Assistance Programs.
- Washington State voters registration and drivers licensing requirements.

A. Training and Communication

We found that all utility billing system users were trained via classroom training in preparation for the installation of the new CCSS/Banner system in 2001. Subsequently, any newly hired Utility Account Representatives (UARs) attend similar training.

The training and associated reference materials are broken down into Phases and Modules dependent on the scope of the Customer Service employee's job duties. All employees whose jobs require accessing CCSS participate in Phase 1 training, which includes:

- Introduction to Banner CIS.
- Basic Customer Maintenance.
- Service Orders.
- Move-ins and Move-outs.
- Basic Billing.

In their first year of work at SPU, Contact Center employees, who are predominately UARs, are Trainees and are on probation. During this time, they attend CCSS classroom and on-the-job-training. In order to pass probation, a UAR Trainee must meet or exceed performance expectations which include: 1) a score of 90 percent or better on monitored calls. If they receive a score of less than 90 percent they are disqualified. Those scoring 90 percent or better move on to: 2) An interview panel, which asks the applicant to respond to a set of utility related questions, which assesses the applicant's knowledge of business policies and practices in handling "challenging" or more complex problem solving. 3) A written knowledge assessment.

The UAR Trainees' combined score from the interview and written assessment must be 90 percent or greater to be successful. If their score is less than 90 percent but greater than 75 percent, they are allowed to retest during the next Merit process. If they are re-testing, they only have to take the test again, no interview or call monitoring is factored in, but they must earn a 90 percent or better. There

is also a written test, with a minimum passing score of 90 percent, in order for a UAR 1 to progress to a UAR 2.

Most UARs and Utility Service Representatives (USRs) received training in Basic Credit and Collections during the CCSS conversion, though only the USRs have access to certain transaction fields related to this type of work. Employees who went through CCSS training were provided with reference manuals that included all the materials from the training, including a section for policy guidelines (See Audit Reference Exhibits Volume I).

Finally, prior to the merger of solid waste customer functions with the Call Center in around 2006, Customer Service Representatives (CSRs) handled only solid waste customer transactions. The CSRs received training specific to solid waste transactions and the use of the Solid Waste system (SWORD) used by the contractors who collect solid waste. Since that time, however, a reclassification of the Solid Waste employees occurred, and Contact Center employees received training on solid waste transactions and are expected to handle all utility service issues that customers need, including the Solid Waste line of business.

Reminders and updates regarding changes in business practices are communicated in several ways and have not changed significantly during the audit time frame. All supervisors conduct team meetings (sometimes called aisle meetings) with their staff, where they discuss issues of note, changes, and reminders. Email updates and reminders are sent out routinely by the division director and when the topic applies more broadly to the entire branch, by the Branch Deputy Director. The Knowledge Base is also used as a time-sensitive communication tool and is updated routinely with current information, tips, and business processes, policies, or procedures. Prior to the Knowledge Base, the Catalogue Rack Desk Reference (Catalogue Rack) was used for this information reference (see more information below). Finally, Contact Center employees also receive alerts, training reminders, and links to new or timely information from the Contact Center Portal Page, an internal web page that is updated by supervisors and training staff.

B. Ethics and Expectations

Our research identified a number of rules and published documents which outline expected behaviors for employees while they are working for the City.

1) The Ethics Code

The City adopted an Ethics Code by ordinance in 1980 and incorporated it into the Personnel section of the Seattle Municipal Code as section 4.16. The Ethics Code describes those activities that City employees (defined in the Code as “Covered Individuals”) are prohibited from engaging in. There are two sections of the Ethics Code that are particularly relevant to the audit. Section 4.16.070 (1) states that:

“A Covered Individual may not: Participate in a matter in which any of the following has a financial interest, except as permitted by Section 4.16.071:

- (i) The Covered Individual;*
- (ii) An immediate family member of the Covered Individual;*

(iii) An individual residing with the Covered Individual"

This section prohibits employees from working on their own accounts or those of family members. Additionally, section 4.16.070(2)(a) states that improper use of an official position includes the:

"Use or attempt to use his or her official position for a purpose that is, or would to a reasonable person appear to be primarily for the private benefit of the Covered Individual or any other person, rather than primarily for the benefit of the City, except as permitted by Section 4.16.071"

This section prohibits an employee from making any transaction that appears to be for their benefit or the benefit of another person that is counter to the interests of the City.

2) New Employee Handbook

New employees are provided with many documents on their first day at SPU (Audit Reference Exhibits Volume IV). One of these documents is the City's New Employee Handbook which was first developed in August 2000 and updated in 2006. The handbook references the City's Ethics Code, and on the first page, after the table of contents, states:

"IMPORTANT NOTE TO READERS!"

"Your employment with the City is subject to federal and state laws, the Charter of the City of Seattle, the Seattle Municipal Code, City ordinances, the City of Seattle Personnel Rules, and various Citywide policies and procedures. Additionally your employment may be subject to departmental policies and procedures and/or a collective bargaining agreement."

3) Expectations for Utility Account Representatives

We found that in August of 1999, SPU developed a set of employee expectations specific to the work of the Utility Account Representatives (Audit Reference Exhibits Volume III). That initial version of Expectations included the following statement regarding working on employee related utility accounts:

"Ask a supervisor or Utility Account Representative II to provide maintenance to your account and the accounts of your relatives, friends, and co-workers."

The Expectations were developed jointly by Customer Service employees and supervisors and were rolled out with extensive communications to all Contact Center employees in 1999. In subsequent versions of the Expectations, the list of topics addressed differed, and this sentence regarding employee utility accounts was omitted. However, Contact Center employees and supervisors told us that their understanding of the expectations remained the same.

4) SPU Workplace Expectations for Everyone

These SPU-wide expectations have existed since 2000 and were updated in April of 2005 (Audit Reference Exhibits Volume III). These Expectations were rolled out across all of SPU when they were first developed, and everyone in SPU knew or should have known about their existence. Many individuals and workgroups were involved in their development and are pictured in the document. The section that is most relevant to this audit and transactions made to utility accounts is:

"You are expected to work ethically

- *Comply with all local, state and federal regulations and ordinances, including internal policies and procedures (visit <http://leg.wa.gov/wac/>)*
- *Comply with the city's Code of Ethics (visit <http://inweb/ethics/>)"*
- *Comply with special department policies regarding ethical standards and policies (visit <http://spuweb/hr/policies.htm>)"*

5) SPU Policy CS-106, Utility Account Transactions

Finally, the Customer Service Branch (CSB) developed Policy CS-106 to reinforce the Ethics Code as it relates to accessing utility accounts. The policy was approved by the Director of SPU on March 28, 2011, and was extensively communicated across the organization. Susan Sanchez, CSB Deputy Director, followed with her own branch-wide message on April 19, 2011, which included links to Policy CS-106, the City's Ethics Code, SPU's Workplace Expectations, and an attached set of Frequently Asked Questions and answers. In particular, the policy states:

"Employees may not perform account transactions involving themselves, their family members, people they know, or on behalf of other employees".

During the first round of interviews with Customer Service employees and supervisors in mid-2011, we were told that employees knew and understood that working on their own utility accounts was not allowed. Even the Union Local 17 representative told us that "everyone knows you shouldn't work on your own account."

An Ethics training course was tailored for and provided to Call Center employees in January of 2012. We suggest making this course mandatory and developing a regular cycle for it.

C. Policies, Procedures, and Reference Materials

Historical research into SPU's and SCL's policies and procedures found a number of locations where these documents were posted along with periodic reminders, tips, and other forms of communications provided to Customer Service employees.

In the back of the CCSS training manuals we found a section for Business Process and Procedures. This tabbed section included copies of SCL and SPU Policy Guidelines dated as early as July of 2000 and included revisions as they were made. In even the earliest versions we noted that many Policies indicated they were revisions, meaning that they had existed previously. For the purposes of the audit, 2000 is the earliest time frame used for reference since the data pulled for comparison purposes began in 2001.

The training manuals also provide an excellent overview of each type of transaction, its purpose in aiding the customer, and, spread throughout the sections, are highlighted boxes describing associated Business Processes.

From the beginning of 2004 to mid-2010, The Catalogue Rack, an electronic reference library of materials, was available for all Customer Service employees to access on the Common drive. This

electronic library was carefully maintained, and as new information was developed / adopted the old information was moved into an archive folder.

Further review of sections of the Catalogue Rack Desk Reference found that Policies and Procedures, and associated guiding documents, were electronically added to the folders beginning in 2004 and updated as new documents were developed or adopted by senior management. This reference library mirrored what Customer Service Branch employees maintained in hard copy form at their desks in a 'catalogue rack' as their desktop reference. Customer Service Branch employees were provided updates to Policies and other reference materials in hard copy in order to keep their desk-top reference current. Our research found that maintenance of the desk-top reference documents was inconsistent, and sometimes employees preferred to keep documents with notes in the margins rather than replacing them.

Beginning in late 2010 and effective in 2011, the J:drive Catalogue Rack was replaced with an information system called the Knowledge Base. This interactive system was purchased and set up as a means for Contact Center employees to search for commonly used information and receive real time messages and updates regarding information needed to perform their duties. Customer Service employees told us in interviews that the Knowledge Base is not as user friendly as it was intended to be and that searches bring back so much information that the quick and simple answers needed to help customers with their transactions have not been effective. Our research and attempts to use the Knowledge Base found similar difficulties. There was also less reference information available, and in some cases, copies of the full text of policies and procedures were replaced with summarized highlights. The Catalogue Rack has remained available for staff to this date, and sections of it are still being updated by Customer Service staff so that it is current as an alternative resource.

2. AUDIT

As previously indicated, the audit sought to evaluate transactions over at least a ten-year period to determine conformance with policies, procedures, and adopted business practices. In order to accomplish this work as efficiently as possible, we arranged for direct access to the CCSS data base and sought to understand how the data is configured. We also received much help and support from experienced CCSS users so that we could understand the data, how it translated into transactions made in the system, why transactions were made, and what the associated policies, procedures, or business practices were that supported them.

We first reviewed the list of all employees who had access of any kind to the CCSS system, then identified those who worked for SPU, and finally, further reduced the list to those with read/write access. The resulting narrowing provided us with a list of 217 CCSS users whose transactions and personal or associated utility accounts we would audit. We gathered current and prior addresses for these same employees, their dependents, and their emergency contacts from the Human Resources Information System (HRIS or EV5). Addresses that fell within the City of Seattle utility service area then became the initial list of utility customer accounts to analyze for inappropriate transaction.

Analysis of some utility accounts led to the review of others as the connections between accounts became apparent. In some cases, utility account status also required us to understand and evaluate processes managed by other City departments or agencies. As such, we worked with and sought documentation from the Human Services Department, which manages the utilities' Low Income Rate Assistance Program (aka Utility Discount Program - UDP), and from the Central Area Motivation Program (CAMP), which processes and issues Low Income Heating and Energy Program funds (LIHEAP).

Finally, a number of other resources were used, including King County Property tax records, King County Voting records, King County Vital Statistics, Washington Department of Licensing information, and various media sources.

In addition to analysis of individual utility accounts, we ran large CCSS data queries by categories of transaction types with financial impact, such as adjustments, payment arrangements, delinquent balances, and Emergency Assistance Program grants. We analyzed the data to determine patterns of use based on customer account, premise account, customer name, and in particular, User ID, something SPU had not been able to do prior to obtaining system access to the full database. This data gathering and subsequent analyses enabled us to further identify accounts to audit.

In all, we conducted detailed analysis of 1,058 utility accounts however; the number of other customer accounts and ancillary data reviewed is significantly greater.

In the 10+ years data we reviewed and analyzed, the audit found 728 financial transactions with an impact of \$1,467, made by SPU employees on their own utility accounts or those of family and friends. We also found 618 transactions that were administrative in nature, having no financial impact, such as phone number changes, notes, or service orders regarding service issues. Transactions with financial impact were further investigated and referred to senior management. Employees having made only administrative transactions were referred to Human Resources for review.

We closely evaluated the issues around all the inappropriate transactions we found, which are detailed below. Many improvements regarding these transactions have already been made by Customer Service management.

A. Names, addresses, and accounts

1) Employee address of record

We relied on employees' personnel records to establish utility account information using their addresses and that of family members or close personal friends. We found instances where the employee's address of record did not appear to correlate with their physical residence.

We noted that forms used during the hiring and orientation process differentiate residence versus mailing address; however, there is no definition of what the difference is, nor are there instructions directing employees how to fill out the form. Lastly, we found that there is no requirement to specify an address for where you live. During the audit we found a number of employees from the audit pool who asserted that they did not live at their listed address of record (stating instead the address was only used for mail purposes). There were also two employees whose only recorded addresses are

mailboxes. Mailbox addresses are much like a P.O. Box, except that the address of the mailbox business enables the customer to generate a street address using the mailbox company's physical business address and a number relative to the mailbox, giving the appearance of an apartment or condo number. This lack of residence information prevented us from determining if these two employees have a utility account, though we assume so since the mailbox business is in the Queen Anne neighborhood.

2) Name on utility account

We did not do an extensive review of utility account holder names. We did, however, note that there were instances where the utility account names may have changed slightly over time. In some cases, name changes appeared to be due to error, which would be in accordance with policy. However, there were instances where name changes appeared to be made to avoid prior bad debt. In these instances we found minor variations in name change, such as adding or removing a letter, switching to a middle name, or switching to a prior maiden name though there was no change in marital status. In one case, a name was changed to initials only in a clear attempt to avoid a collection agency. Finally, we saw instances where an account was opened in one household member's name, closed when the balance became delinquent, and reopened at the same address in the name of a different household member, preventing collection of bad debt.

Lastly, we also found accounts which listed the wrong owner or inaccurate mailing address for the owner, making it impossible to ensure that the property owner is notified about past due balances.

Actions taken:

In July 2011, SPU changed its policy to require that SPU residential accounts be in the name of the property owner, not a tenant. Tenants may receive a duplicate billing if they are being expected to make the payment. The policy change is taking effect via attrition as tenants move out. This significant policy change holds property owners accountable for the bad debt in the event the tenant does not make payment. It should be noted that the majority of the information used to establish a utility account, is based on what the customer tells the UAR who is opening the account, and this information is not always verified.

B. System access

In the 2011 Accountability Audit report, the State Auditor noted that "approximately 300 SPU employees have the system access needed to make adjustments to utility accounts." Furthermore, in their 2012 Financial Audit, Moss Adams reported the significant deficiency that "user access to CCSS is not regularly reviewed by management. This access may allow some CCSS users to process transactions they are not authorized to perform." In one instance we found an employee who retained read/write access to the system though their job duties had changed, this same employee then attempted to make fake payments to their own accounts.

Actions taken: SPU conducted a significant amount of work reviewing and changing CCSS access processes in 2011 and early 2012, and a report was issued in April of 2012 detailing some of those efforts. A new Utility Account Access procedure (CS106.2) was tested and finalized on November 15,

2012. This new procedure was coordinated with SCL, who has a role in establishing access, and they committed to supporting our efforts to maintain a tight process. By the end of 2012, only 175 SPU employees had the type of system access enabling them to make transactions, and their access types were better aligned with their job responsibilities.

A separate procedure (CS106.3) regarding the Drainage Billing System Access was adopted in August 27, 2012. This procedure spells out how access is granted and managed with the billing system SPU has with King County for drainage service fee collection.

C. Payment Arrangements (PYARs)

PYARs serve to defer credit action against a customer, including the application of late fees and interest, resulting in a financial benefit to the customer. They enable a customer to break up the full past-due balance of an account and pay it over a longer period of time. Payment arrangement policies are part of a larger Credit and Collection policy.

Prior to 2005, PYAR policy requirements differentiated between customers requesting energy assistance pledges, those with poor credit ratings (internally generated by the CCSS system) and those in shut-off status. Energy assistance policy requirements relative to Payment Arrangements were applicable only to SCL accounts. In 2007 the distinctions in PYAR requirements for customers receiving low income energy assistance or rates were eliminated, but all other requirements remained.

Beginning in 2005, PYAR policies required that customers with past due accounts make a payment prior to entering into a PYAR. The minimum payment percentage amount was determined by the delinquency status of the account. In 2008, the percentage payment due when an account was sent a Final Shut-off Notice was changed to 75 percent of the delinquent balance due, and 100 percent payment continued to be required once the water was being shut off or had been shut-off. The revised policy also established a requirement for full payment of the account in the instance of two failed PYARs in a calendar year after the account had received an urgent notice and the prohibition of any further PYARs for the remainder of that year.

We found that this deferral of payment of customers' utility bill, if payment is made within the 60-day period as outlined in the Policy, has an insignificant impact on revenues and allows the customers an opportunity to get caught up with their balance. Failure to keep current on new charges or to make payments constitutes "breaking" an arrangement.

The audit identified a number of employees who made PYARs for themselves, family members, and friends. Most of the employees who made these arrangements tended to make many of them for themselves. There were eight instances of employees who made multiple PYARs for themselves or a family member; in most of these we found that they were not in accordance with policy. These delays not only enabled the customer to defer making any payment for extended periods of time, but also prevented the customer from incurring late payment penalties and delinquent interest charges.

Actions taken:

A new SPU PYAR policy developed in May of 2013 eliminates the need to monitor failed arrangements and instead requires that all PYARs (except those accounts in delinquent status), even those related to cancelling an existing one, must first pay 25 percent of the balance on the account. Our view is that this new policy will:

- Reduce the number of requests for cancelling of arrangements as there is no more advantage to cancelling and recreating new arrangements, thus reducing the number of calls and transactions.
- Begin to lower customers' balances since they must make some payment each time they make an arrangement.
- Eliminate the employees' need to research and analyze the customers' PYAR history to determine if they have previously failed two arrangements, thus saving time spent on the phone.

D. Adjustments

Adjustments serve to alter the balance of a utility account, and either increase or decrease the amount due. Other terms used interchangeably for Adjustments include Rebates or Waiving of Fees. Regardless of the term used, the intent is that credits reduce the balance owed and debits increase the balance owed. The term applies for those transactions where the charge is removed or credited, rather than for charges/fees to be debited back to the account. Of the financially related employee transactions found by the audit, 143 were credit adjustments made by employees to their own utility accounts, or their family members' or friends', for a total of \$1,467. The majority of adjustments were related to waiving \$10 late payment penalty charges (this fee was changed to \$12 in 2012). Other credit adjustments found included extra garbage, extra yard waste, delinquent interest penalties, and shut-off fees.

In addition to analyzing specific utility accounts associated with an employee who had access to the CCSS system, we pulled global data, at varying intervals, during the course of the audit (monthly and quarterly), and analyzed trends and patterns by employee User Id and customer number to determine if some customers were being favored. Our results are outlined here by the type of adjustment we audited.

1) Late Payment Penalties

Our research found that a late payment rebate policy statement has been in existence since at least July of 2000 and has not changed since that time. This policy statement was included in UAR's CCSS training manual and states:

"A one-time rebate of late payment charges may be granted to new customers or to customers who have not been charged late fees before. In addition, as a negotiating tool, fees may be rebated if the customer agrees to immediately pay past due charges in full at a service center. Payment must be received before the fees may be rebated."

Employee and supervisor interviews found that the "one time courtesy" adjustment was routinely understood and notations regarding these were frequently made on customer's accounts. We did find some employees who believed that the "one time courtesy" meant once per year, though we

found no documentation of such nor data that indicated late fee rebates were applied in that manner.

The audit did find a few employees who were liberal with adjusting late payment penalties. Using 2010 data for late fee adjustments (including SCL employee transactions), we found that 94 percent of employees granted an average of only 52 late payment penalty rebates for the entire year (the range was from 0 to less than 200 instances). Given the active number of customer accounts at any given time, this quantity is deemed to be insignificant and reinforces our observation that employees were familiar with and understood the policy regarding "one time courtesy" rebate. We did find three employees that year who gave significantly more late fee rebates on average than everyone else, with roughly 300 transactions each.

A second form of late payment penalty is incurred by customers whose account exceeds a \$300 balance. This penalty is in the form of interest charged at 1 percent per month. We found some instances when this penalty fee was rebated, though much less frequently. Most often, based on notes, this fee was rebated when the customers had a leak for which they applied for a rebate, there was an error on the account, or the account was moved into a bad debt or bankruptcy status. The audit found only one instance where an employee rebated late payment interest penalties for a relative in the 10+ year time frame.

2) Extra Garbage and Yard waste fees

When customers put out additional garbage or yard waste, or if their designated cans are overflowing, they are charged an extra fee. The fee may be multiplied by the number of additional containers or bags placed out for pickup. Customers' accounts are charged each week after service is provided; however, the customer will not see the billed charges until they receive their bill, which for residential customers is every two months. Therefore, customers may incur multiple extra charges during the two-month billing cycle if there is an ongoing mistake or problem. Customers who call and contest the charge(s) may have the extra charge(s) waived the first time they complain without question, including multiple charges incurred prior to the complaint up to a maximum dollar amount (currently \$300). Upon future a complaint, in a rolling 12-month period, SPU requires that a service order must first be issued, sending an inspector to the residence to research the problem. It also requires that detailed notes be made on the account, including a reference to the person making the complaint. The customer may still be rebated the charges whether or not the problem is determined or resolved.

In 2010, SPU rebated 21,691 instances of extra garbage fees totaling \$248,265 and 7,179 instances of extra yard waste fees totaling \$61,686. Our analysis of that year's data found some transactions made by employees for themselves, friends or family; generally these consisted of one or two rebates. In those instances of one or two extra garbage or yard waste rebates, they were in accordance with solid waste policies as the policies are very broad and allow for first-time rebates to be granted without further question. However, they were still in violation of the Ethics code. Looking at more comprehensive data, we found two employees who made multiple transactions for themselves, friends or family in the 10+ years, one with 11, and the other with 13, which went

beyond what policy permits without review from a solid waste inspector. These appeared to be in an effort to reduce the balance of the account and financially benefit the party beyond that which would be given to any other customer. A review (though not exhaustive) of the accounts other customers who received multiple extra garbage or yard waste charges found they were generally done according to policy.

3) Shut off Fees

After Urgent or Final delinquency notices have been sent, and a customer's account balance remains unpaid, the customer moves into a "Shut-off" status. USRs, who work in the Account Services group, are sent to the customer's residence to shut off the water. While the USR is at the residence, the customer has the opportunity to pay the full amount of the past due balance, and thereby immediately have the water turned back on by the USR. When customers' water is shut off for lack of payment, they are charged a \$164 fee (the fee changed over the course of the audit; it was initially \$124 then \$144).

We learned from interviewing the manager of the USR group, that there are two circumstances when a customer may be rebated the shut-off fee:

- If the utility made an error.
- If the customer pays in full the balance owed on the account, then the charge may be reduced to a property visit charge, which is \$44.

We also found an outline of the SPU Credit Policy in the Knowledge Base that says,

"On a one-time basis, as a negotiating tool, fees may be rebated if the customer agrees to immediately pay past due charges in full at a service center. Payment must be received before the fees are rebated."

Analysis of Shut-off rebates was conducted via two different methods since the adjustment reason code was not consistently used or properly entered by employees. We first conducted an analysis of all Shut-off rebates granted in 2010 and found, as we would expect based on their job duties, that the employees in the Account Services Group had granted the majority of these rebates. We noted, however, that one employee's quantity of adjustments far surpassed the others (17 versus the next highest of 8). We then analyzed that employee's 2012 shut-off transactions and found that most customers given rebates had paid the balances owed, though not always prior to the rebate being made, and a property visit charge was rarely applied. We also found a rebate was granted to a fellow employee that did not meet the criteria of the Credit Policy.

E. Utility Assistance Programs

The Seattle Municipal Code, section 21.76, establishes the City's Low Income Rate Credit Program which consists of the Utility Discount Program (UDP) and SPU's Emergency Assistance Program (EAP).

1) Utility Discount Program, rate reduction

Customers apply and are screened for eligibility by the City's Human Services Department (HSD) on behalf of SPU and SCL customers. The program's Eligibility is "*based on total income of all people living in the household.*" Handouts and online references provided to Customer Service Branch employees contain simple tables showing income level requirements by household size (see Audit Reference Exhibits Volume III for program descriptions and eligibility criteria).

In 2011, as part of their 2010 annual Accountability Audit, the Washington State Auditor's Office (SAO) issued a report identifying issues with the UDP program regarding timeliness of customer removal for lack of eligibility recertification; lack of review of applications for completeness and reasonableness; and improved approval processes to eliminate conflicts of interest. HSD made a number of changes by the following year, which met the objectives of the State Auditor.

In order to better understand the process for eligibility determination we worked closely with HSD, requesting copies of applications made, reviewing household income documentation provided, and comparing application information to City personnel information and to King County property or vital statistics records. We did not audit all customer accounts receiving discounted rates.

We found some SPU employees, or their household members, had applied for and received discounted rates; of these we found three employees whose households were not in fact eligible for the discount. When an account was found to not be eligible we coordinated with HSD and reversed the credits received on the account back to the date when eligibility was determined to be invalid; all of these account balances have since been repaid.

2) SPU Emergency Assistance Program (EAP)

The EAP program provides eligible applicants with an emergency credit equal to the lower of 50 percent of the applicant's delinquent bills, or the maximum amount allowed by law for the program year. Eligible customers may receive an EAP grant once in a calendar year (changed to 12-month period in 2013). The program was revised in 2013 to include a second grant per year for those households with minor children. The maximum credit from 2006 to 2008 was \$200 and has been adjusted annually since that time. Until November 2011, EAP eligibility required that an applicant:

- Must reside in a single family residence.
- Have a household income less than or equal to 125 percent of the Federal Poverty Level.
- Be the utility customer whose name is on the SPU bill.
- Have received an urgent or shut off notice from SPU.
- Have made a payment arrangement for the unpaid balance.
- Have not previously received a credit for the maximum amount allowable in the given 12-month period.

In November 2011, the City Council approved Ordinance 123749 to align the EAP program eligibility criteria with that of the Utility Discount Program (UDP), with the effect that gross income for the household is now based on 70 percent of the State's median income rather than 125 percent of the Federal poverty level.

The EAP program is managed and processed by SPU's Account Services unit. UARs may pre-screen customers for eligibility, make notes on customers' accounts, even enter pledges on accounts (a temporary indication of payment pending which halts credit action), and refer customers to an Account Services employee. Account Services modified their practices during the time frame of the audit, and they now log in a customer request for EAP when they send the customer the application form.

Customers fill out an EAP application, with accompanying income verification, or sign a release form authorizing SPU to request income verification from the State Department of Revenue. Once the application is received, it is reviewed for eligibility and a credit amount is calculated. If the customer is deemed to be eligible, then a service order is sent to the Customer Billing Services Division requesting that credits be applied to the customer's account. If the customer is not eligible, notes are entered on the account to reflect the ineligibility, and the pledge is removed.

The audit found some family members or close personal friends of SPU employees who benefitted from receiving EAP grants inappropriately. We also found an overall lack of internal controls for the program and subsequently conducted a full scale audit of the EAP program in 2013. Several changes have already taken place to rectify these issues, though many remain to be addressed.

3) Low Income Heating and Energy Assistance Program (LIHEAP) and other utility or customer credit programs

There are other programs and organizations which offer assistance in the form of funds for customers in need or who meet established criteria. While none of the funds provided by these programs use City of Seattle funds, the coordination for receipt and application of the funds to customers' accounts is made by SPU and SCL employees.

LIHEAP funds come from the federal government, and the program is overseen by the Washington State Department of Community and Economic Development. However, it is managed by various agencies throughout the state. There are two agencies within King County who receive and review LIHEAP applications related to SCL customers. The King County Multi services Center, and Centerstone, which used to be called the Central Area Motivation Program (CAMP). Eligibility criteria for LIHEAP funds are based on 125 percent of the Federal poverty level, which is different than the City's UDP and SPU's current EAP programs. Customers are referred to these agencies by either SPU or SCL customer service employees who note the account with the referral information. Applications must be made in person at the King County or Centerstone service centers and the applicant is supposed to be the same as the utility account holder. We found instances, during the course of the audit, of accounts receiving LIHEAP funds based on an application where the applicant's name was not on the utility account or where we knew that other parties were residing at the property but were not disclosed on the application. We spoke to both CAMP and to the Washington State LIHEAP

program manager regarding our findings and learned that they had no resources for acting on such instances.

Other forms of customer assistance come from non-profit organizations that may pledge and send checks on behalf of customers. Some of these organizations include the Salvation Army, St Vincent de Paul, and local churches. Customer service agents have a list of agencies and may suggest these to the customer.

A. Monitoring and Reporting

Many of the issues identified by the audit regarding transactions made by employees on their own utility accounts, or that of friends and family members, could have been identified sooner had there been trend analysis, monitoring and reports showing User ID relative to transactions. While supervisors and managers periodically conduct call monitoring using a call performance system, these reviews are insufficient for determining major issues of concern.

We found two forms of reports generated for CCSS data. One set are produced by SCL on behalf of SPU, the others are generated by SPU IT or CCSS users via the Customer Information Data System (CIDS).

The SCL generated reports were previously produced in hard copy and were voluminous. There had been little documentation regarding report purposes and we found that staffing turn-over and shortages meant that most reports were not used. Since 2012 a lot of research went into understanding these reports and how they can be best used for assessing account problems and improving performance; they are now being used routinely in the Customer Billing Services Division. Furthermore, as of 2013 the reports are now provided in electronic format resulting in a significant reduction in paper use.

SPU IT generates "canned" reports from CIDS for use by the Customer Service Branch (CSB). These reports are based on user requests and business need. CIDS users may also generate their own reports, though we found few employees within CSB that were sufficiently skilled to do this. The CIDS database is a mirrored copy of portions of the CCSS live database; it is however not complete and users, other than IT, are restricted from accessing subsets of data for further analysis or data that is not imported in from the main database.

The audit found little to no monitoring of reports by managers or supervisors regarding the accuracy of transactions made by Customer Service employees prior to 2011. As previously stated, we determined this was due in part to the fact that the CIDS system did not produce reports or contain all data from the CCSS system.

We also noted that no trend analysis or comprehensive review of data by transaction type was being conducted. Without these types of reports, there is no ability to establish error patterns or abuse relative to a particular customer or employee.

Actions taken:

- In 2011 the auditor position located in the Customer Billing Services Division was moved to the RQA group and was granted sufficient access to the CCSS system so that we were able to pull more complete data than what was previously available through CIDS.
- The RQA group, after testing a number of scenarios, has generated a number of quarterly reports during the audit to test for patterns in all adjustments, including User ID, customer account, premise account, customer name to determine if there are inappropriate patterns or violations of policy and procedure. The report and responsibility for routine review will be turned over to the Customer Service Branch, though RQA will continue to conduct periodic checks.
- The Customer Billing Services Division now generates and reviews a daily adjustment report, regardless of dollar amount.

CONCLUSION

This audit began because of concerns about SPU employees working on their own accounts and suggestions to reduce the risk of it happening again. The audit sought to review those transactions of greatest risk regarding employee misuse; it did not review all forms of CCSS transactions or business practices. And, while the audit did find, and management has addressed, instances of inappropriate use of the CCSS system for personal benefit, we found that the majority of Customer Service employees performed their job duties appropriately, were thoughtful and dedicated. The RQA team will continue to work with the Customer Service Branch to develop or revise internal controls to reduce the risk of inappropriate activity.

SPU Business Practices Audit Report

Consolidated Customer Service System (CCSS)

By Guillemette Regan, March 2014

This report serves to detail observations and recommendations regarding utility account policies, procedures, and business practices as a result of the audit of the CCSS conducted by the RQA team. Other than recommendations that are identified as the responsibility of a specific division or department, observations and recommendations made apply to all SPU Customer Service Branch employees.

A. Documentation and Record Keeping

There are a number of rules and published documents which outline expected behaviors for employees who work for SPU, including:

- The Ethics Code.
- New Employee Handbook.
- Workplace Expectations.
- UAR Expectations.
- Trainings and routine messaging.

Observation:

- We found that permanent employees receive a packet of documents on their first day of employment with SPU (TES and Interns do not receive the same documents). However, we noted that tracking of what employees were given or filled out on that first day was inconsistent.
- Utility Account Representative (UARs) in the Contact Center receive a tailored set of expectations for their work, which is given each year to them, and they are asked to sign, each year as a part of the annual performance review. We found that some of these employees refuse to sign.
- Completed agreements are supposed to be retained by the supervisor, but we found inconsistency in this process.
- Finally, we found no companion piece to the UAR expectations for other Customer Service divisions though they may also work on the CCSS system.

Recommendations:

1. HR staff has begun developing a “new employee checklist” that will be signed by employees on their first day. This checklist will show what employees received and will indicate acknowledgment of their obligation to be familiar with City and Department laws, rules, and expectations. We strongly encourage completing this effort and maintaining a copy of this signed acknowledgment in the employee’s personnel file.
2. Use SPU’s Workplace Expectations during all Customer Service employees’ annual performance review process, incorporate language into reviews regarding the expectations, and solicit signatures.

3. Maintain a central repository for all signed agreements and trainings, meetings, or workshops attended.
4. Develop and maintain a tracking system to ensure that all employees have been informed and have signed agreements, and ensure that copies are retained for an appropriate period of time as part of the employee's personnel files.
5. Use the same tracking system to establish when key messages are sent out to employees, including announcements regarding new policies and procedures.
6. Develop a standard sentence on the Expectations Agreements or performance reviews, with input from law, to address those employees who refuse to sign them.

B. Policies, Procedures, Training, and Reference Materials

Observations:

We found that all SPU employees have ready access to In-web where the Ethics Code, Workplace Expectations, and all Policies and Procedures are posted. Employees also have access to the Knowledge Base, an interactive and comprehensive tool including information and communications regarding customer service topics, though it is most used by Contact Center employees. We were told and found for ourselves, that searches for information in the Knowledge Base can get bogged due to too many options for the person looking for a quick and easy answer; and found the old Catalogue Rack reference to actually be more simply organized and easily accessible by topic, though it is no longer maintained as it was intended to be phased out with the advent of the Knowledge Base.

We also learned that some employees continue to use their physical desk-top Catalogue Rack references, though those were intended to be eliminated with the advent of the Knowledge Base. We understand that while it is each individual employee's responsibility to keep their reference materials up-to-date, we know this to not be the case.

Finally, we noted numerous changes to the classroom training sessions and worked with the team that was established in early 2013 to make suggestions. Testing for UAR trainees and UAR2s however remain very simple and rote and may not sufficiently establish full comprehension.

Actions taken:

In 2011 SPU established a centralized internal web site for all formally adopted Policies, Procedures, and Rules. This site has replaced the old hard copy binders maintained by each Branch's Executive Assistant and makes Policies and Procedures more readily available to all employees from their work stations. The site is maintained and updated by a Policy and Procedure Coordinator in the Risk and Quality Assurance division (RQA).

Recommendations:

7. Ensure a link to the Policy and Procedure web site is posted in any Customer Service reference tool, whether it be the Knowledge Base or some other system; make sure it is available and known to all CSB employees.
8. Simplify access to information and reference tools (Knowledge Base currently).

9. Retain copies of important email communications per records retention criteria and make it available for reference by employees.
10. Make, whatever the source for information and reference is, tightly maintained and well updated, and make it available to all employees in the Customer Service Branch.
11. Develop a menu of topics and messages to help supervisors with their aisle meetings.
12. Periodically, and randomly, change test UAR trainee test questions.
13. Include test questions that require answers to be written out, not just multiple choice or True and False.

A. Names, addresses, and accounts

Employee address of record

Observation: We found instances where the employee's address of record did not appear to correlate with where they live. In some instances employees' address of record were in reality mailing addresses and in two instances the addresses of record are in fact mail boxes in a package store. The ability to rely on an accurate residential address is crucial to good internal control practices.

In researching forms and processes for personnel records, we noted that some forms include places for employees to separately enter address of residence and mailing address; however, no definitions are provided and we could not locate instructions directing employees how to fill out the forms. Lastly, we found no requirement to specify a physical address of residence.

Recommendation:

14. Clarify new-hire paperwork by providing definitions and instructions for filling out forms
15. Work with City Personnel to require that a residential address be provided

Customer Account address

Observations: Though new customer accounts are required to be in the name of the property owner, we found instances where the property owner's name or address of record wasn't accurate; making it hard for follow action in the event of bad debt.

Recommendations

16. The Move-in Move-out customer verification process could be strengthened by checking the customer's name against King County Property Tax records.
17. Periodic monitoring of owner account information, in particular for those accounts with delinquent balances, should be done to ensure accuracy.
18. Good procedures for returned mail and non-owner occupied property contact information should be developed and implemented.

B. Credit and Collection

Delinquent Accounts

When a customer's account becomes sufficiently delinquent their water is shut-off; in more extreme cases the meter is pulled.

Observations: We found that the threat of shut-off is not always effective and that an average of 15-20 customer's meters are shut off daily. Furthermore, customers whose water meters have been shut-off still benefit from receiving sewer and solid waste services, though they make no payment to SPU. Sewer services are not controllable, and the City's Municipal Code requires all households to have solid waste services for public health reasons.

While SPU has authority to place a lien on a property for past due SPU accounts, we found that this practice does not take place. The intent is that water will not be turned back on without payment of the outstanding balance therefore; SPU will eventually recover the amount due. We found that this practice is effective the majority of the time, but may not be effective in cases of probate, foreclosure, or short-sales, and in some circumstances of old debt and misinformation on locating responsible parties.

Our research found that SCL uses collection agencies to go after past due accounts; SPU does not. We met with PMT Solutions, one of the agencies used by SCL, and learned that they successfully collect significant amounts of bad debt, and that their fees, 20% of the amount owed, are paid by the delinquent customer when payment is made; i.e. there is no cost to SCL.

Lastly, we found that there are times when a customer whose water has been shut off, or had the meter pulled, will illegally connect to the water system. Determining when and if this happens can be difficult and may not be timely. One complicating factor is that when the meter is pulled, the customer's address is no longer on the meter reader's route, so they won't be on the lookout for an illegal connection. Even if a meter reader is checking the property routinely, we note that it would only be every 2 months given the meter reading cycle.

Recommendations:

19. Consider developing similar collection protocols to those of SCL regarding delinquent accounts.
20. Conduct further analysis of bad debt scenarios to determine whether there are instances when placing a lien on property title is cost-effective.
21. Evaluate policy options for transferring bad debt with the customers if they move to another location within the Seattle service area, and not just leaving it tied to the property.

Bankruptcies

There are three Bankruptcy processes, chapters 7, 11, and 13, customers file that may enable utility account balances to be written off as bad debt.

Observations: When the audit began, there was only one employee whose job it was to receive, review, and process bankruptcy cases. We found no apparent internal controls in terms of periodic review, verification, or approval levels based on dollar amount. We reviewed a couple of years' worth of cases and found the files to be in fairly good order, though there were some inconsistencies, including missing

paperwork and incomplete forms. We did note limited segregation of duties, as the final write-offs are done by the Billing Services group. Billing Services, however, does not verify whether a bankruptcy was properly filed, or whether it actually resulted in a discharge of debt.

Informal procedures were established in July of 2011, and while they provide a guide for processing bankruptcies, they still lack necessary internal controls. We also found that these procedures diverted from Business Processes established in 2001 regarding the retention of a customer's account number. The current practice is to close the customer's account when the Bankruptcy notice is first received, putting the customer's balance into bad debt until a determination by the courts is made. A new account, with a new customer number, is then opened allowing the customer to continue to receive service without incurring additional penalties for lack of payment on prior debt. Issuing a new customer number results in losing historical context surrounding this customer's business transactions. Further complications occur when the court dismisses the bankruptcy filing and the account needs to have the original bad debt balance returned onto the customer's account, which may inadvertently be overlooked.

Lastly, we note that Bankruptcy processes are combined with Probate cases, though these issues are different and the latter may not lead to bad debt at all. It is unclear if there is, or needs to be, a policy in relation to Probate cases and outstanding debt.

Recommendations:

22. Separate Bankruptcy and Probate policies and procedures
23. Establish clear segregation of duties for the intake and verification of bankruptcy filings, from the evaluation and determination of the bad debt balance
24. Establish periodic management review of cases
25. Revise and formally adopt bankruptcy procedures to establish:
 - o where and how cases are validated
 - o clear and limited roles for different steps of the process, including what to do if there is a conflict of interest with the customer filing the case
 - o managerial approval for filings that exceed a defined dollar threshold
 - o establishment of periodic reports outlining the quantity and dollar amounts written off regarding bankruptcies
 - o elimination of the process of closing a customer's account number and reopening a new one. Rather, move the anticipated debt to be written off to bad debt until a court decision on the case and note the account.

Payment Arrangements (PYARs)

PYARs serve to defer credit action against a customer, including the application of late fees and interest, resulting in a financial benefit to the customer, while enabling a customer to break up the full past-due balance of an account and pay it over a longer period of time.

Observations: Payment Arrangement policies are posted prominently and available for employees to review. SPU and SCL policies have changed over time and currently vary slightly. Recent changes made to

the PYAR Policy helped simplify the process for customer service agents and ensure customer's balances don't grow to as unwieldy a level as they had previously.

Recommendation:

26. Work with SCL to align policies such as these that frustrate customers and cause customer service agents to reference differing circumstances.

C. Adjustments

Late Payment Penalties

Observation: We noted that Credit and Collection policies are not made available to the public either via SPU's external web site or in the Seattle Municipal Code. We also found that criteria regarding the level an account has to be delinquent before incurring late payment penalties and interest charges is not established by policy or Director's Rule.

Recommendation:

27. Clarify and publish Credit and Collection policies so that they address all consequences a customer may face for non-payment of bills.

Extra Garbage and Yard waste fees

Observation: The addition of an extra garbage or yard waste charge for overfilled cans generates numerous customer complaints. We found that there are no criteria or pre-requisites for a customer to receive a first rebate, and that first rebate is only limited by a maximum of \$300, not to how many prior occurrences it may cover. While this unrestricted rebate is in a 12-month time frame, we found that it may lend itself to overuse.

We also found that there a few reports generated, or analyses performed, regarding the quantity of rebates, geographical patterns, customers, or appropriateness of rebate application.

We learned that the SPU solid waste inspectors take photos of certain garbage situations as a means of monitoring contractor performance. These photos are available on SPU's intranet for employees to view, however we were not able to determine the image filing logic and whether or how the photos are used in order to verify if a customer was charged accurately.

Recommendations:

28. Eliminate or change the charge criteria for overfilled cans. There is already the option for the contractor to not pick up cans that are overweight. The current scenario is too vague and leads to an excessive number of complaints.
29. Require the contractors to take photos of all cans/scenarios where they are applying an extra charge. If the contractor does not have a photo on record and the customer complains because there is a charge, make the contractor pay.
30. Do not allow rebates for customers who had extra garbage or yardwaste confirmed by a photo.

31. Conduct periodic data analyses regarding quantity of rebates, customer or premise account rebates received, and User Id generating rebates to establish service delivery, customer abuse, or employee training/abuse issues.

Shut off Fees

Observation: We learned that reports are generated and reviewed by the Account Service Manager, regarding the number of shut-off notices and customers to be shut-off, but no report is generated regarding rebates granted for shut-off fees.

We also noted that the application of a property visit charge in lieu of shut-off fee for full payment is not mentioned in the Policy statement and is not monitored to ensure compliance.

Recommendations:

32. Update the policy to match the business practice and post it so that both customers and employees can see it.
33. Develop performance metrics for timing goals related to shut-off notice and actual shut-off.
34. Run monthly reports that provide sufficient information to evaluate delinquent customer accounts, employee transactions regarding Shut-off fee application, rebates, and ancillary charges. These reports should include data such as:
 - Customer #, Premise #, User ID, Shut-off date, Service Order #, Shut-off fee, Property Visit charge, Balance on account, Payment date, Payment type, Assigned day to perform the Shut-off.

D. Utility Assistance Programs

Utility Discount Program, rate reduction

Observation: One of the early discoveries we made was that the Human Services Department (HSD) was incorporating a 20% deduction from gross income to determine monthly and annual income for the household. We did not establish the time frame for when HSD began applying the 20% adjustment to gross income. The Seattle Municipal Code calls for eligibility to be determined based on 70% of the Washington State Median household income; it does not mention any adjustments to gross income. When asked about this further, HSD provided draft procedures for the UDP program that established this formula, but they did not know why or where the basis for the adjustment came from. We enlisted the help of the City Auditor's Office to determine if our concerns regarding this adjustment were valid, which they confirmed were.

Actions taken: The HSD procedure was redrafted removing the 20% adjustment of gross income. Furthermore, the manager of SPU's Account Services group, developed clear documentation guiding employees regarding what levels of income qualified for the program based on how many people resided in the applicant's household.

Observation and information gathered: On a weekly basis, HSD sends a list of customers to be removed or added from the UDP program to the SPU Customer Billing Services Division who then makes the necessary changes to both the SPU and SCL utility accounts in CCSS. Due to the way the current CCSS system handles the separate lines of business, this process requires adding or removing UDP rates for five different utility

services (water, sewer, drainage, yard waste and garbage) for each account. This cumbersome system creates many possibilities for error, and requires much manpower to complete. For a couple of years, staffing in the Billing Services Division was insufficient for processing the lists from HSD, and a backlog of needed UDP account changes built up over time.

Actions taken: Beginning in the 4th quarter of 2012, resources were allocated to cleaning-up the UDP account changes backlog, and by March 2013, Billing Services had completed the task. Billing Services also set out to develop a reconciliation process to ensure the accuracy of UDP rate applications to accounts. This was accomplished by generating a report highlighting accounts with inconsistent application of UDP rates between SCL and SPU accounts. Approximately 400 customers were found that needed to be corrected. The report is now run on a monthly basis and Billing Services is finding less than 25 accounts each month that need correcting. This monthly effort enables accounts to be corrected in a timely manner (within one billing period).

A second set of reports was initiated which looked for mismatched rates on SPU accounts (e.g. accounts with utility credit rates for water but regular rates for sewer and garbage). The original reports found roughly 200 accounts with mismatched rates, which have now been corrected. This report is now run weekly and accounts are fixed immediately – generally prior to their first billing date.

Billing Services is working on one more audit regarding the reconciliation of SPU customers on UDP with those in the HSD database. This report will be run and completed by the end of the first quarter of 2014. After the initial clean-up is completed, and depending on the complexity of the report, Billing Services anticipates running this report monthly and correcting errors before customers are billed. We believe all of the steps taken to-date, and those in the works, resolve the issues found by the State Auditor, and ones we found relative to this issue.

Recommendation:

35. Simplify the process for income verification (as identified in SPU's audit of the EAP program in 2013).

SPU Emergency Assistance Program (EAP)

Observation: We initially found that EAP records were poorly maintained – files were intended to be organized alphabetically by year but really were not. They were kept in unsecured cabinets, even though they contained customer personal identification information, and were sometimes incomplete—missing relevant documentation, and sometimes the entire file. We also found that filing EAP applications by the applicant's name was confusing, because the name of the person applying for the EAP, and the name on the utility account, may be different.

Other than the Ordinance establishing the EAP program, we found no procedures outlining process steps for this program. At the onset of the audit there was only one employee who was charged with receiving, reviewing, and approving EAP applications. No secondary verification of eligibility, monitoring, or management review was conducted.

Actions taken to-date:

- The EAP files are now kept in locked cabinets
- A tracking system has been implemented which documents the various stages of an EAP application, improving the ability to establish that an application should be in the files.

Recommendations:

36. File applications by utility account number instead of applicant name.
37. Develop and adopt clear procedures which segregate duties and include periodic management review and verification of EAP applications.
38. Require management review of customer accounts which have received EAP credits multiple years in a row.

E. Paid Specials

Observation: We found very little or no written description regarding “Paid Special” practices, either for the customer or for employees. Charges and charge codes are established in the CCSS system, but are not posted for the public in either the ‘Standard Rates and Charges Director’s Rule’ or on SPU’s Solid Waste rates web site. We were also unable to easily locate a description of the internal procedures that establish when customers should or should not be charged.

A cursory analysis of “Paid Special” data (residential) from 2001 to present, found 1,678 instances of charges applied for that service. However, data regarding “Paid Special” service orders, showed over 23,000 requests made in that same period, which indicates that over 21,000 trips for special garbage service were charged to SPU but not collected from the customers. We did not investigate to see if these charges were rebated nor if similar service orders were issued for recycling or yard waste.

Recommendations:

39. Develop and post a Director’s Rule regarding Solid Waste policies and practices such that customers and employees are clear about how and when charges are applied.
40. Conduct a more thorough analysis of Paid Special business practices and establish clear policies and rules, with consistent application and review to ensure that SPU is properly recovering the costs associated with garbage, recycling, and yard waste services provided to customers.

F. Monitoring and Reporting

Observation: Our audit found little to no monitoring of reports by supervisors regarding the accuracy of transactions made by employees prior to 2011. As previously stated, we determined this was due in part to the fact that the CIDS system did not produce reports or contain all data from the CCSS system.

We also noted no trend analysis or comprehensive review of data by transaction type was being conducted. Without these types of reports, there is no ability to establish error patterns or abuse relative to particular customer or employee.

Actions taken:

- In 2011 the auditor position located in the Customer Billing Services Division was moved to the RQA group and was granted sufficient access to the CCSS system so that we were able to pull more complete data than what was previously available through CIDS.
- The RQA group, after testing a number of scenarios, has generated a number of quarterly reports during the audit to test for patterns in all adjustments, including User ID, customer account, premise account, customer name to determine if there are inappropriate patterns or violations of policy and procedure. The report and responsibility for routine review will be turned over to the Customer Service Branch, though RQA will continue to conduct periodic checks.
- The Billing Services Division now generates and reviews a daily adjustment report, regardless of dollar amount.

Observation: Some customer transactions which may have a financial impact on a customer's account were not monitored nor are reports as easily generated that would establish a pattern of error, abuse, or policy violation. The RQA group continues to test the ability to use the data and develop means of more detailed analyses on a routine basis. For example, total number of PYAR created or cancelled has been pulled and analyzed for patterns and trends; however the ability to more readily assess whether the correct payment has been applied in regards to delinquency status is more complicated.

Recommendation:

41. All transaction types which have financial impact on a customer's account should generate a combination of exception reports and quarterly trend analysis reporting and should be developed as standardized reports now that pilot testing has been accomplished. Supervisors and Managers should review these reports and use the information to attend to areas of weakness. We recommend continuing to develop reports for at least the following transactions:

- Payment arrangements.
- Bankruptcies.
- Paid Specials.
- Emergency Assistance Program Credits.
- Shut-off action (notices, service orders, charges, rebates).
- Negative charges (this differs from adjustments).
- Pledges.
- Adjustments, all types.
- Long-term payment arrangements.
- Bad debt.

G. Items not covered in this report

While this audit reviewed and assessed a number of CCSS transaction types, there are many more whose processes we either only casually reviewed or did not research at all; these may warrant future review. These include, but are not limited to:

- Escrow processes.
- Leak Adjustments.
- Vacancy Rates.
- Pledge Tracking.
- Not Sufficient Fund payments.
- Long Term Payment Arrangements.
- Local Improvement Districts.

CONCLUSION

The audit found that the majority of SPU employees, working on customer's utility accounts, performed their job duties accurately and in accordance with City or SPU policy and procedure; they are thoughtful and dedicated. Overall we found many excellent business practices and policies, though some that would benefit from updating or streamlining. The biggest gaps we determined were predominately in reporting and monitoring. We appreciated everyone's time and patience with the length and breadth of this audit and look forward to providing advice for the implementation of recommendations as the opportunity arises.