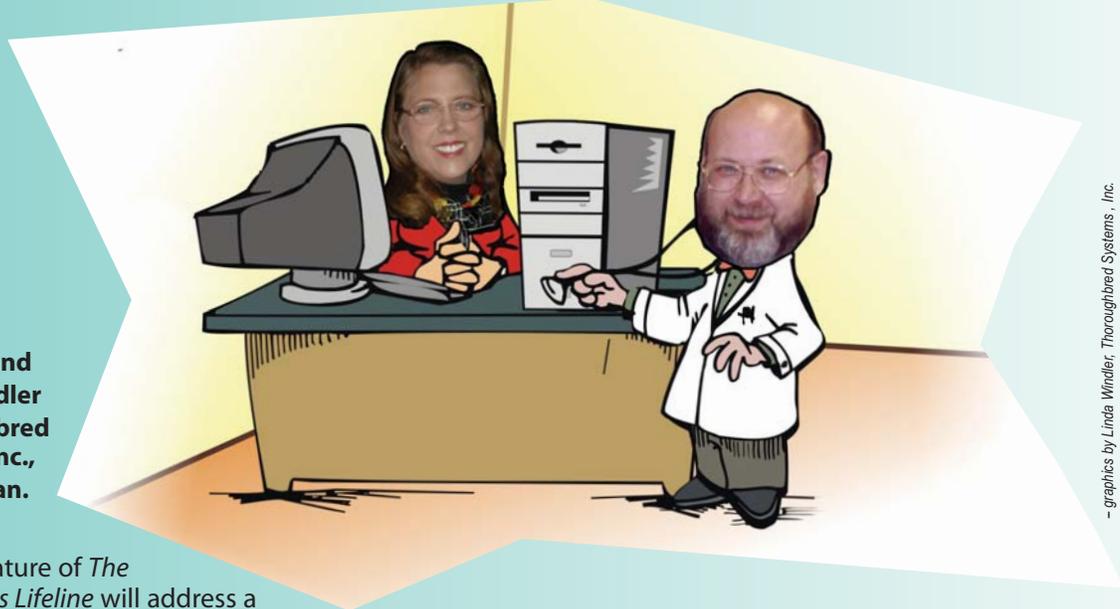


Computer Corner

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— graphics by Linda Windler, Thoroughbred Systems, Inc.

This feature of *The Kansas Lifeline* will address a handful of frequently asked computer questions in each edition. Readers are invited to e-mail questions to krwa@krwa.net to be answered in future articles.

Board and council members' responsibilities concerning utility billing and accounting

Q. Recently, after a board meeting of our rural water district, I was chatting with some of my fellow board members and hearing about some other districts' financial horror stories. Some problems clearly had been the result of dishonesty while other situations sounded like sloppy or untrained bookkeeping and failure to catch and correct

mistakes letting mole hills grow into mountains. It got me to thinking. Are we doing everything we should to monitor billing and collection practices? Our office manager supplies the board with several reports to examine, but I'm not sure that I really understand everything put in front of me. What can the board do to make sure there is proper accounting?

A. There are plenty of horror stories concerning fraud! Just recently our company helped a water district make a come back from a more than \$100,000 embezzlement. Their utility clerk/bookkeeper had been taking money for more for than eight years. The question is, How could this happen? Where were the checks and balances that should have caught the theft? Of course, this is an extreme case, since the board didn't bother to meet but just once a year and provided blank signed checks without paying any attention to what they were used for. Even so, some of the same elements exist in lesser cases.

As is usually so with this sort of thing, the district's records were in a mess! The district had not only lost money from the theft but there were customers who went unbilled month after

month and many of those who were billed were allowed to go without paying for many months or even years. Late charges were never added and shutoffs were never enforced so slack customers had no incentive for paying their bill. Accounts had been edited and fussed with in a haphazard manner that made no sense. Customers sometimes made the required (so-called required) deposit and sometimes they did not. There was no clear record of who did and who didn't. Debts had been expunged when customers moved out owing huge sums of money with no effort at collection. Yet with all this erasing of debt there were also persons listed on the current accounts receivable who were long gone and in several cases, deceased! The properties had set empty and inactive for months or even years and yet the RWD utility clerk was still adding minimum charges to their accounts each month growing a larger and larger bogus bill.

Embezzlers are not necessarily overly smart people, like most thieves they are opportunists. If they see a weakness they exploit it. In this case, the weakness was a board that was asleep at the wheel. The mess the embezzlers leave behind is usually in part an effort to cover their tracks by creating chaos as well as a result of laziness and an inability to follow procedures and keep up with orderly day-to-day business. It is beyond imagination also that the district's auditor did not identify some of the irregularities.

If supervisory staff and/or an accountant and/or board members are keeping regular tabs on certain

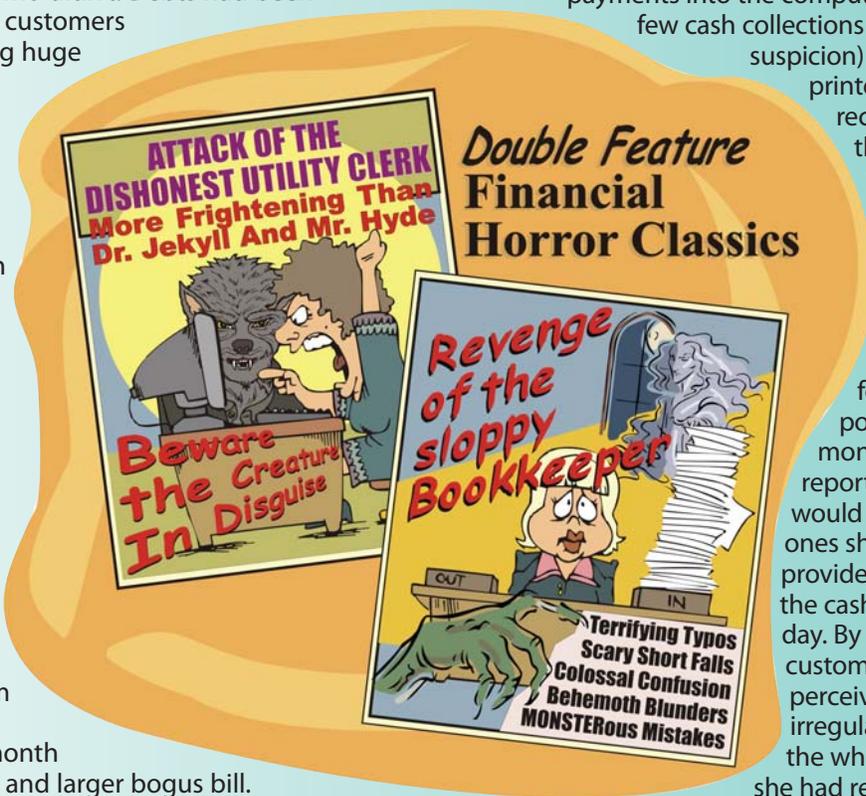
points of information, then they will be able to verify whether or not the RWD business is performed properly. Utility clerks should be able to provide a cash receipt report for each and every deposit to the bank that should match the deposit in number of checks, money collected in cash and the total collected.

But this is by no means enough. Take for example another case where a clerk each day entered check payments into the computer along with a few cash collections (to avoid suspicion) and then printed a cash

receipts report that could be verified to match the deposit. She would then enter all of the remaining cash payments for the day and pocket that money. The only reports the board would see were the ones she would provide that preceded the cash entries for the day. By doing this, the customers didn't perceive any irregularity to blow the whistle because she had recorded their

payments to their accounts. On paper, their account showed no unpaid balance carried over to the next billing period, but the reports she compiled for the board were printed daily before those cash entries were accomplished.

All it would have taken to spoil this little plot was for the board or their accountant to have required that the utility clerk provide a cash receipts report that covered the entire month's (cycle's) payments and a billing register for the same period and a bank statement/deposits that covered the same period. The total payments received should match to the penny on those



reports and match the amount deposited at the bank.

We recently worked with a city clerk who was trying to track down a discrepancy. We asked if she matches cash receipts reports from the computer billing program with the totals on each deposit. She said she did not "because the deposit includes other moneys collected by the city like permit fees, dog licenses, etc." She quickly saw the wisdom in making out a separate deposit for utility money so that she would be able to compare the amount with the computer record with ease and catch any discrepancy on the spot.

Utility clerks don't have to be computer experts but they should be well versed on properly applying data to their software, checking for errors, troubleshooting mistakes and, very importantly, the proper procedures for correcting mistakes or handling stumbling blocks like bad checks. They should understand what data fields in their software are used by the different reports they choose to print so they are fully aware of what the report they are viewing is telling them. There should be no shyness about calling their software provider for guidance any time they are unsure. It is generally easier to instruct someone to make correct choices than it is to fix a mistake after it is made, or worse, after there have been two or three incorrect repair efforts.

In a perfect world, managers and board/council members -- whoever is responsible for supervising -- would have some of the same training and understanding of the record keeping process used by the staff doing the billing. But that is seldom a realistic possibility. So, the next best thing is that the board/council asks to have reports that cover every aspect of the billing process, from monthly usages and charges through payments and deposits. Boards should be keeping an eye on and making comparisons between bank statements, cash receipts reports, billing registers, accounts receivable, water loss reports, late customer lists, etc. Discussion with staff on report results is useful. If the clerk is unable to give full, detailed and satisfactory answers, both the clerk and the board or council member may want to query software providers

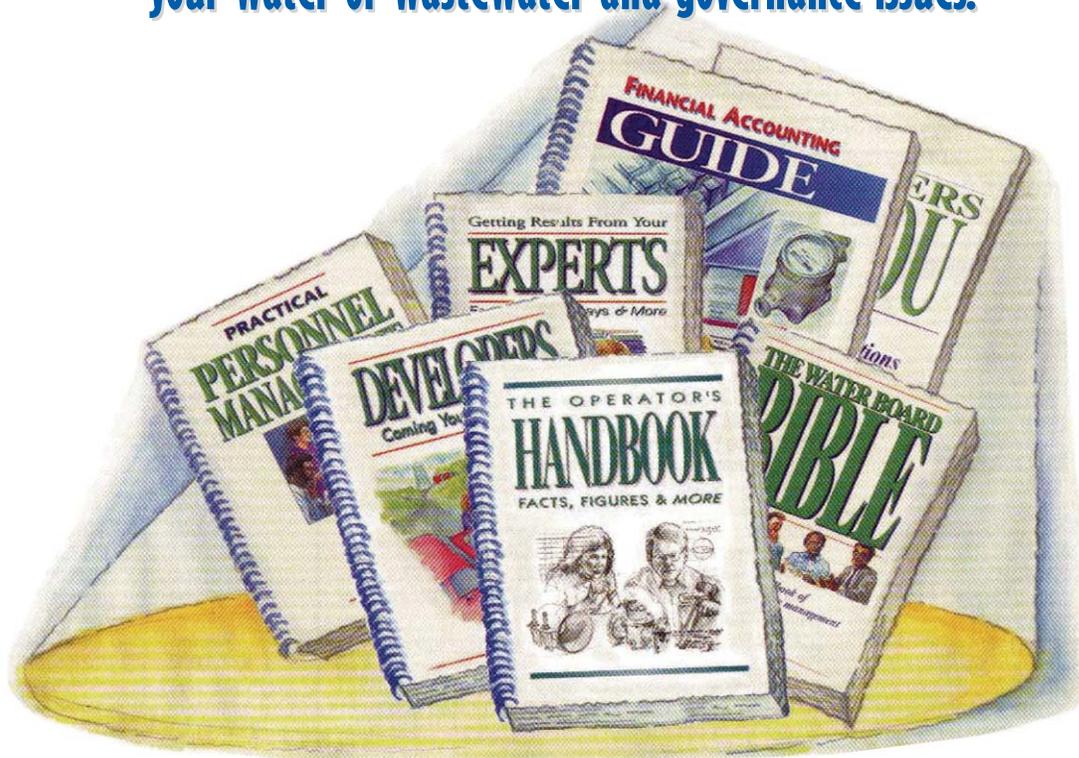
who may be able to supply fuller and more complete explanations. Questions posed to utility software providers should be of a specific nature so they have something concrete to address.

Not all water districts and cities are created equal. Some have many revolving door customers while others have a more stable customer base. Some utilities use electronic meter reading system; some record readings on paper; some trust their customers to read their own meters. Board members may want to ask software providers for general suggestions regarding what reports exist in the billing software that will best serve their particular system's needs.

Boards and councils should be able to get answers from staff on subjects like the number of active and inactive, i.e. uncharged customers, how much has been charged out for the month, the total of payments received and the matching amount deposited in the bank, how much water was produced or purchased, the amount sold, the amount used for flushing and what the unaccounted for water loss was. There should be clear records of how many customers are delinquent on payments and the amount that is due. They should know what is charged in late fees and how many customers are subject to shutoff. There should be a clear record of how much money is held in customer deposits (if the district or city takes deposits). Those are some of the basics. Our software company, Thoroughbred Systems, is considering creating a secondary mini-manual entitled "What Board/Council Members Should Know" for our software to help the governing body and other managers to fulfill their obligations of protecting the public trust as well as helping the utility bookkeeper/clerk. The honest and efficient clerks (which thank goodness most are) would be delighted to have boards or councils who better understand their jobs and the processes. Those clerks who are struggling with their tasks might then also have more support and help from the governing body. Meanwhile those few that just don't belong in the position may be smoked out -- hopefully before there's another \$100,000 or even \$1,000 embezzlement case.

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