

MINUTES OF WORKSHOP MEETING OF KISSIMMEE UTILITY AUTHORITY, HELD  
WEDNESDAY, MAY 10, 1989, AT 6:00 P.M., ADMINISTRATIVE BUILDING,  
KISSIMMEE, FLORIDA

Present at the meeting were Chairman Hord, Vice-Chairman Gant, Secretary Bobroff, Assistant Secretary Lowenstein, Director Jones, Attorney Brinson, General Manager Welsh, Recording Secretary Rundio. Mayor Van Meter was absent.

**A. MEETING CALLED TO ORDER** at 6:07 P.M. by Chairman Hord to review comments of Coopers & Lybrand (Auditors) to the Board and the response to those comments by the KUA staff.

**B. REPORT TO MANAGEMENT ON AUDITED FINANCIAL STATEMENT**

Mr. James C. Welsh, General Manager, prefaced by saying some of the comments have been resolved; others will be resolved this evening and in the future.

Joe Hostetler, Manager/Finance & Accounting, addressed the issues one at a time to corresponding comments.

Chairman Hord said this procedure was satisfactory and brief responses would suffice.

**REPORTABLE CONDITIONS**

**Revenue Cycle**

1. Mr. Hostetler explained that, because it takes one hour to update journalized utility billing activity, the billing is done weekly rather than daily. Eventually this system will be placed on the AS-400 computer.

In response to Director Bobroff's query, he said that it was impractical to use a second shift for billing purposes, especially since we only have one printer. Chairman Hord stated that the consensus is that weekly billing would be more than adequate for the normal business purposes.

2. Chris Beck, Manager/Customer Relations, highlighted a new rate change verification policy. A new step-by-step checklist was put in place to accurately recalculate rate changes.

Director Bobroff asked for clarification of "rate change," since a rate change requires Board approval. This, however, referred to rate changes approved by the Board due to fuel adjustments or other reasons, and would document the checking of the rate change in the computer versus the tariff sheets.

3. Ms. Beck explained the initiation of new meter sheets (done manually to date) on the HTE System. The meter sheet program is activated and new sheets are automatically generated by the system for insertion into the appropriate meter books by the lead meter reader. New books are currently compiled yearly. All meter sheets will be rerun conceptually prior to each cycle at the time KUA converts to the hand-held electronic meter reading devices. At that time, these meter sheets will be magnetically stored data sheets in the hand-held electronic meter reading devices.

4. We now have a weekly check sheet for immediate attention to print out listings of pending complete work orders, for timeliness of completion, lost work orders, etc.

Discussion followed on the handling of work orders, where they originate, and whether they could be handled by, for instance, Customer Relations or the Engineering Department. It was suggested by Director Bobroff these work orders could be sent to the Service Center by computer via a modem at each place. This would streamline the operation and be less time-consuming.

Director Bobroff mentioned that when we originally considered computers, a total system was to have been made available for the transfer of information from one department/division to another, thus eliminating manual handling.

Chairman Hord asked staff to review what system is available for work order handling and exactly how it's done in order to eliminate some manpower. Can we electronically send these work orders direct from Engineering or other departments? A response is expected at the Regular Meeting on May 25th.

### **Payments Cycle**

1. Mr. Hostetler said that with the new Procurement Management Procedures and Purchasing Manual being developed, circumvention of procedures will be easier to detect through this centralized purchasing system.

Director Bobroff inquired about the purpose of Petty Purchase Orders (PPO's), maximum limits allowed, and who authorizes them.

r. Hostetler explained Petty Purchase Orders are only authorized by the General Manager, Department Managers and their immediate Supervisors for the purpose of purchasing smaller items, up to \$200.

Discussed was the monitoring of total amounts spent per month through PPO's, computerization by the Materials Management Department to retain numbered PPO's and complete records. The Board felt this system has been insufficiently monitored.

Director Jones felt the Petty Purchase Order expenditures should be summarized on computer, and subject to review regularly.

Chairman Hord suggested to staff that a review system be put in effect for tighter internal controls on PPO's in view of our multi-million dollar operation. This would detect noncompliance with purchasing policies and procedures.

Mr. Welsh responded that Petty Purchase Orders allowed flexibility in our operations for purchasing parts/equipment quickly without delaying jobs. He suggested the system can be regularly reviewed by the Purchasing Agent, and periodically checked by the General Manager.

### **Materials & Supplies**

2. Mr. Hostetler explained inventory counting, using two-part tags, and taking physical counts.

Suggestions were made by Board members and staff regarding the usage of appropriate work orders and inventorying supplies and equipment returned to the warehouse, ensuring all material is accounted for.

3. Director Bobroff expressed concern that if materials and supplies are not properly accounted for, the balance sheet and profit and loss statement can be unfavorably affected and he suggested automation.

Director Lowenstein expressed his views that problems be followed up on and rectified.

Comments, corrections or partial implementations may be updated through the review of Management comments by Auditors at the end of September.

### Utility Plant Cycle

1. Mr. Hostetler indicated a lack of detail listing necessary to write off part of the assets (property, plant, equipment) developed over the past years. Now, with the HTE system we have a fixed asset computerized module.

Discussion followed on options available to list all prior and current inventories, comparing current depreciation rates and making adjustments. The new system (work orders and capital items) can be in place by the end of fiscal year 1990.

Directors Gant and Bobroff suggested that it's only good business practice to initially set up the system for manually listing all inventories.

Chairman Hord was assured by Mr. Hostetler that all major items are now capitalized, tracked through serial numbers, and are accounted for. The HTE fixed asset system can be used for items such as derrick trucks. Work orders (with project numbers) must be instituted on line extensions and distribution types of capital costs (covering labor, incoming inventory, outside purchases, subcontracted labor, etc.). Having a complete inventory of all items can then be used by the Finance Department for logging ongoing purchases. HTE is attempting to define a system for this purpose.

Director Bobroff questioned whether HTE, when working on a program for us, gives us only what we want, in the simplest form, rather than what they want us to have. Mr. Hostetler said, yes, to the former.

Director Jones inquired, at what dollar amount do we capitalize, and do we expense everything after that?

Mr. Welsh replied, \$500, and expense everything below that amount unless it's a part of a larger system, e.g. telephone system.

2. Depreciation expense was discussed, and whether it should be taken for a full or partial year. Mr. Hostetler said the depreciation rates used were originally used by the City and continued by us. On a manual system, it is much easier to depreciate once a year; on a computerized system it can be done from the date the capital asset hits the system, preferably quarterly. Discussion continued on streamlining the system in a timely manner.

3. Mr. Hostetler briefed the Board on monitoring projects and to which accounts they are charged. Projects Managers will be responsible for monitoring their respective projects. We were faced with some problems in this area, but gradually they are being resolved and monthly reports will be issued on the status of these.

### General Control Environment

1. Joe Hostetler stated that originally we were reconciling accounts manually. On becoming automated, numerous transactions came up incorrectly. Currently, we reconcile significant control accounts on a monthly basis.

Director Gant expressed concern whether correct procedures are being used in ledger accounts, accounts receivable, accounts payable, customers' deposits, etc.

2. Bond issues were discussed. KUA is required to biennially furnish an Engineers' Report on the adequacy of our Renewal Replacement Improvement Fund (RR&I), currently at \$1.5 million. The Engineers review the system and ensure that we are not underfunded. The Bond Counsel will review the bond covenant and advise KUA to which bond issue we must adhere. The Black & Veatch Engineers' Report will cost approximately \$15-18,000.

Director Bobroff questioned whether we are following the old or the new bond covenant.

Attorney Ed Brinson stated that the original 1983 bond covenant was at issue. Mr. Welsh said a biennial report must be done involving all bond issues. Robert Freeman, Bond Counsel, will be contacted requesting written confirmation.

Chairman Hord left the Meeting at 7:31 P.M. Vice-Chairman Gant chaired the Meeting.

### Data Processing

1. Mr. Hostetler highlighted our "billing revenue" report, I a management report summarizing the billing process, indicating number of kilowatt hours sold, customer accounts, etc. THE is redesigning the old system, at their expense, and we are currently testing it.

2. An explanation was given on updating the AS-400 with expansion abilities. Removing any unnecessary customer history off the system was discussed.

3. Mr. Hostetler indicated the AS-400 could be delivered in 6-8 weeks. Two 800 megabyte disk drives are being purchased. HTE tests and develops them at other locations. Our Auditors are concerned that we have thoroughly gone through the testing process to ensure it doesn't harm our system. Mr. Hostetler said our storage capabilities are insufficient to run these tests.

4. Regarding the System 38 option to limit invalid, unlimited log-on attempts, Mr. Hostetler said such options have been set to three (3) attempts before termination.

### OTHER RECOMMENDED IMPROVEMENTS

#### Revenue Cycle

1. Chris Beck explained that estimated bills are now based on consumption and handled by a Customer Rep, who allows for seasonal adjustments, consumption in same month in the prior year, or other external factors, things a computer cannot accomplish.

2. Director Gant asked about "standard exception" listings. Ms. Beck said it's a listing of a computer printout of those accounts in a particular billing cycle that perhaps have something wrong with them, usually only 4-5 accounts out of an entire billing cycle. These are reviewed, checked and approved by the Supervisor daily.

3. The Auditors require us to summarize adjustments to ensure completeness. Adjustments are now reviewed, logged and signed off by the Supervisor or Manager, depending on the amount of adjustment.

4. Joe Hostetler said a formal "bad debt" policy will be developed and implemented. Some bad debt accounts will be isolated and removed from accounts receivable.

Director Bobroff inquired why the decision was made not to use an outside collection agency for these outstanding debts. Mr. Hostetler said we're looking into that at this time. Basically, the Treasury division tracks collections with collection letters.

Attorney Brinson explained about collection agencies knowing the statutes in approaching people at their place of business to collect bad debts, and our attempts to collect through bankruptcies. Mr. Brinson asked what percentage of their deposits are applied to their delinquency. Usually this deposit is insufficient to cover two months of used electricity. Lengthy discussion followed.

5. Mr. Hostetler briefly touched on customer refund checks being automatically issued by the computer, which just after conversion required significant research. More thorough procedures are now in place.

6. Auditors had questioned whether we had recalculated any of the interest on deposits. Procedures will be implemented to ensure accuracy.

### **Payments Cycle**

1. Current policy requiring payment from the pink copy of multicolored printing request forms will be enforced. Numbering will be omitted. Color coding seems to work in this instance. Several Board members were uneasy about our losing track of printing request forms which are unnumbered. They were assured that controls are in place.

Director Bobroff inquired what central location or person is responsible for recording these printing requests. Director Lowenstein suggested control must be maintained on who is buying what, and thought Materials Management might be the ideal Department. Staff concurred with the above suggestion and said it would be put into effect.

2. The process for making payments is basically controlled by the Finance Department. Mr. Hostetler elaborated on the procedure used, from initiation (requests for checks are approved by the General Manager) to the time checks are mailed out. Reviewing checks upon signing, with supporting documentation, can be accomplished without losing control. Auditors desired complete double-checking. Checks are written weekly.

3. Procedure is in place having an Accounts Payable Clerk initial documentation as evidence of having reviewed all outgoing checks. Discussion followed on payment procedure to vendors.

4. Manually typed checks are issued under extraordinary circumstances, e.g., emergencies, parts required quickly, etc.

### **Materials & Supplies**

1. Mr. Hostetler explained the most effective manner of handling and controlling correct quantities of goods received. The Materials Management Department will be responsible for this. Having appropriate Purchase Order forms printed to eliminate time-consuming manual writing was suggested by Director Bobroff. Comparisons and reconciliations will be prepared in a timely manner. Discussion was had on receiving accurate, legible packing slips. Invoices and purchase amounts must coincide

### Utility Plant Cycle

1. This is a process of looking at an invoice and ensuring it is going to the proper project number or expense.

### General Control Environment

1. Joe Hostetler said he is in charge of handling non-recurring entries, adjusting accounts, and providing monthly financial statements which they prepare. When trained personnel are available, such persons will take on those responsibilities and also to prepare the journal entries and ensure they are signed off by the Department Head.

2. Minimum analytical reviews are being done; this will be increased in the future.

3. Certain operating procedures are being performed. Customer Relations and Finance & Accounting procedure manuals are being developed and will be available in the fall.

Director Gant suggested having more detailed, yet easy-to-follow procedures manuals for reference and training purposes and commented, from experience, how much easier a job can be for any employee with clearly written manuals.

4. KUA currently has an unfilled position of Staff Auditor. This position would report to the Manager of Finance & Accounting. In response to the suggestion by the Auditors, it is intended to recruit for this position at a higher level than was originally intended. KUA will recruit an Internal Auditor with the experience level necessary for him to function independently without direct supervision. He will report directly to the General Manager. He would be responsible for internal auditing controls and handling special projects, and perhaps auditing external contracts, etc.

5. The specialized PC software discussed was to download from a main frame into a PC. Procedures will be developed against access into and loss of important PC software. Discussion followed.

### Data Processing

1. This item covered some of the old conversion data, since taken off the system.

Director Bobroff inquired about the potential of water damage in the computer room, ruining all our records and data processing equipment. Staff said this would be looked into.

2. Two portable Halon fire extinguishers are now maintained in the computer room.

3. IBM User Profiles (passwords) have been changed.

4. In case of a complete computer crash, a contingency plan for our computer operations was in question. Options are being reviewed and a cost-effective plan will be developed to ensure that daily business activities continue.

5. Procedures to bind and file computer printout reports will be instigated to avoid important data being lost or misplaced.

Director Jones left the meeting at 8:45 P.M.

### Operations Controls

1. Chris Beck stated we do have ability to pull out computerized customer complaints. Customer complaint work orders will help quantify other types of complaints. All complaints will be recorded.

2. KUA is presently developing a penalty program for delinquent accounts and late payments, to be activated in fiscal year 1989/90.

**C. MISCELLANEOUS**

Mr. Welsh informed the Board that Chairman Hord's nomination for a second five-year term, which had been placed on the City Commission's Agenda for their meeting on May 9th, was passed by the City Commission.

Mr. Welsh issued an invitation to Board members to help celebrate KUA's success in the conversion to the HTE System one year ago and to recognize the hard work of those involved. A get-together will be held at 3:00 P.M., Friday, May 12th, in the Customer Relations Department.

**D. ADJOURNMENT**: Meeting adjourned at 9:00 P.M.

  
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CHAIRMAN

ATTEST:

  
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SECRETARY