

**City Utilities  
State Audit Action Plans  
11/3/2008**

Action Item #	State Audit Ref		Action Item/ Improvement Made	Person(s) Responsible	Status	Expected Completion Date
1		1 Utility Rates	<i>State Auditors recommend the Board of Public Utilities ensure utility rates are set to generate revenues as necessary to produce and deliver the related service.</i>	Jim Shuler / Ray Ross	Complete	
			Action Planned: R.W. Beck was selected through the Professional Selection process to perform a pricing sufficiency study. As in previous studies, Beck will review cost of service analyses that have been performed by CU staff, and make recommendations to the Board regarding the rate structure for the electric, natural gas, and water entities. This study is expected to be complete in the summer of 2008. In the preparation of the 2009 Operating Plan, Management will continue to utilize rate assumptions that assure generation of appropriate revenues to cover the expenditures required for their respective operations.			
2		2 Utility Revenues Used for Subsidization	<i>State Auditors recommend the Board of Public Utilities closely monitor the ongoing financial condition of each department, and limit expenditures from utility funds (electric, natural gas and water) to only those which are necessary to operate those specific utilities. In addition, work with the city to consider alternative funding sources for the transit system.</i>	Jim Shuler / John Black	In Process	Monitor Financial Condition: <u>Complete</u> Community Input on Transit Funding: <u>Date Unknown</u>
			Action Planned: Current policies are under review, to assure that all expenditures are necessary and prudent. The 2009 Operating Plan will ensure each department covers its' own expenditures.  The Board and City Council have approved a series of transit fare increases to assist in covering a greater portion of the transit deficit. A review/evaluation will be made as to the approach taken in obtaining community input regarding the operation/funding of the transit system.			
		3 Expenditures				
3			A. Prudent use of public funds - <i>Ensure disbursements are necessary and prudent uses of public funds, and provide a benefit to the utility and do not violate the state constitution. In addition, avoid the appearance of a conflict of interest.</i>	John Black	Complete	
			Action Planned: A proposed policy is being developed for presentation and review by the Board of Public Utilities to identify classes of expenditures the Board determines to be within the purposes of CU, and to establish a process for allocating other expenditures within those public purposes.			

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4		B. Funds spent by other organizations - <i>Improve the control and accountability over the use of utility funds spent by other organizations.</i>	Brenda Putman / Jim Shuler	Complete	
		Action Planned: The current plan is to develop procedures to ensure that all required documentation is obtained from each of the organizations benefiting from CU provided funds. For instance, in some cases a control will be implemented for Accounts Payable to review that the items in the contract have been retained in a central file as documentation supporting the payment to the organization.			
5		C. Trunked radio system - <i>Review usage of the trunked radio system and allocate operating costs in a more proportionate manner, and documentation supporting the methods of allocation of the trunked radio system should be retained. The utility should also consider tracking and billing the administrative costs related to the system.</i>	Wade Stinson	Complete	
		Action Taken: The trunked radio system (TRS) costs are calculated and allocated in accordance with terms of the negotiated agreement between CU, the City of Springfield, and Greene County. There are considerable benefits to the public with these organizations, along with other emergency responders, operating on a common radio system. Considering the significant public benefit gained from the radio system's interoperability, the terms of the TRS agreement are equitable and appropriate. In addition, the contract terms preclude any changes prior to 2015.			
6		D. Cellular telephones - <i>Revise current controls, policies, and procedures regarding cellular telephones to include a thorough review process and to adapt to new technology.</i>	Wade Stinson	Complete	
		Action Planned: The Executive Committee is currently reviewing the "Use of Telecommunications" policy and plans to issue a revised policy. CU's Telecommunications area will continue to monitor cellular telephone usage patterns to ensure the most cost-effective plan is being used, as recommended. In addition, Internal Auditing will periodically audit cellular telephone usage and charges, as recommended. Finally, CU will continue to adopt new communications technology where productivity and service benefits can be derived, as recommended.			
7		E. Procedures for hiring executives - <i>Develop consistent procedures for hiring executives.</i>	Robin House / Lisa Turner	Complete	
		Action Taken: Policy #2.24, Job Posting and Bidding, has been revised to address procedures for hiring executives. The revisions have been approved by the General Manager.			
	4 Employee Awards and Payroll Policies				
8		A. Prudent use of public funds - <i>Ensure disbursements are necessary and prudent uses of public funds.</i>	John Black	Complete	
		Action Planned: In conjunction with the Action Plan 3B, the new policy will address and offer for determination by the Board use of funds for employee awards and similar programs within CU's Human Resources Plan and its public purposes.			

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9		B. Finders fees - <i>Discontinue the practice of paying finders fee to employees.</i>	Robin House / Lisa Turner	Complete	
		Action Taken: This item is a union negotiated item and will be addressed during the upcoming union contract negotiations in late 2008/early 2009. Contract terms preclude any adjustment to this item prior to renegotiation of the union agreement.			
10		C. Outside employment disclosure - <i>Require employees to disclose and obtain approval of outside employment and business activities.</i>	Robin House / Lisa Turner	Complete	
		Action Taken: Policy #2.30 – Outside Employment & Business has been revised to require employees to disclose and obtain approval of outside employment and business activities. The revisions have been approved by the General Manager.			
	5	Natural Gas Hedging			
11		A. Board presentation of information - <i>Require complete and detailed financial information regarding natural gas hedging transactions and policy changes to be presented to the board.</i>	Jim Shuler / Ray Ross	Complete	
		Action Taken: The monthly Board Financials will continue to include detailed information regarding CU's natural gas hedging positions, including the cost or benefit experienced for the current heating season. Additionally, a report will be made to the Board each month for which financial hedging positions are in place and at the end of each natural gas hedging season. This report will specifically include the premiums paid for the financial hedging instruments, all associated receipts from related sales, current market valuation, and the net result of cost or benefit to firm natural gas customers. The Board was reminded of the footnote included in the financial statements each month concerning natural gas hedging. The January 3, 2008 board meeting allowed for the opportunity to review the specific information included in this footnote, with specific mention of the year-to-date activity, as well as how to determine the current market value of financial hedges in place at the end of any given month.			
12		B. Hedging procedures - <i>Establish and document formal procedures for the buying and selling of natural gas options.</i>	Jim Shuler / Ray Ross	Complete	
		Action Planned: CU is reviewing existing procedures natural gas hedging transactions and will update as necessary.			
13		C. Employee disclosure statements - <i>Require all employees with access to market analysis to submit an annual personal disclosure statement.</i>	Jim Shuler / Ray Ross	Complete	
		Action Taken: A formal disclosure has been prepared for each member of the Natural Gas Committee that states "Pursuant to this policy, as a voting member of the Natural Gas Hedging Committee, I hereby agree that I will not take the same or opposite position in the natural gas financial market as that held by City Utilities."			

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14		D. Committee meeting minutes - <i>Ensure minutes are prepared and approved for all committee meetings.</i>	Jim Shuler / Ray Ross	Complete	
		Action Taken: A scribe has been assigned to take minutes for all Natural Gas Hedging Committee meetings for which the committee members have approved action related to a buy/sell transaction. The minutes are reviewed and approved by the committee.			
15	6 The Energy Authority (TEA)	<i>State Auditors recommend the Board of Public Utilities ensure a detailed cost benefit study is performed and continually updated and that full advantage is taken of every opportunity to provide oversight of TEA operations.</i>	Scott Miller	Complete	
		Action Planned: CU is currently developing a cost/benefit report for CU's involvement in TEA. The review will look at the cost of ownership in TEA vs. if CU was to self perform the electric and natural gas marketing, sales, purchases and all the associated risk services.			
	7 SpringNet Compliance and Controls				
16		A. PSC order and funding position - <i>Ensure compliance with the PSC order and ensure adequate monitoring of cash funding position is performed to demonstrate compliance.</i>	Wade Stinson / Todd Murren	Complete	
		Action Planned: At the request of the PSC, a member of the PSC staff met with CU in late December. A thirty-three question affidavit was answered by CU in January and returned. The PSC issued their report on 4/23/2008.			
17		B. Contract length - <i>Ensure compliance with state law regarding length of contracts.</i>	Wade Stinson / Todd Murren	Complete	
		Action Planned: At the request of the PSC, a member of the PSC staff met with CU in late December. A thirty-three question affidavit was answered by CU in January and returned. The PSC issued their report on 4/23/2008.			
18		C. Contract terms and procedures - <i>Ensure contract terms for handling of delinquent customer accounts are followed. Develop policies regarding security deposits and establish procedures to routinely perform credit checks on prospective customers.</i>	Wade Stinson / Todd Murren	Complete	
		Action Taken: SpringNet has existing procedures for collections and write-offs within its billing system. SpringNet will continue to work with customers to establish a payment schedule before taking any service interruption action or legal procedures. The existing process of verifying a customer's utility credit history will be continued. In addition, when situations warrant, SpringNet will perform traditional credit checks of a new customer before contract execution. The practice of security deposits is not standard to the industry.			
19		D. Updated analysis - <i>In the future, ensure a formal analysis of future plans, anticipated revenues, and projected expenditures is performed and updated, and closely monitor SpringNet Underground's financial condition.</i>	Wade Stinson / Todd Murren	In Process	Dec-08
		Action Planned: A SpringNet Business Plan Task Force was established during the first quarter of Fiscal Year 08 to review and update the business plan. The Task Force includes representatives from SpringNet, Operations, Finance, and Economic Development.			

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		8	Bidding and Purchasing Policies			
20			A. Purchasing procedures - <i>Develop written policies and procedures for establishing, approving, and monitoring all purchasing tools. This should include a provision that provides for annual competitive bidding of all utility purchases.</i>	Wade Stinson / Jim Bingham	Complete	
			Action Planned: CU's extensive policies and procedures will be reviewed and additional documentation developed as necessary. CU has determined that there are situations where bidding multiple year contracts is appropriate, provides savings to the Utility, enhances the management of the supply chain, and insures an uninterrupted flow of materials. These types of agreements are common and accepted practice not only within the Utility industry, but in Federal, State (including MO) and local governments.			
21			B. Bidding policy for public advertising - <i>Develop a comprehensive bidding policy which addresses public advertising.</i>	Wade Stinson / Jim Bingham	Complete	
			Action Planned: CU is planning to formalize existing practices and written procedures related to the public advertising of purchases into a written policy.			
22			C. Guidelines for purchase order vs. contract - <i>Establish guidelines on whether to use a purchase order or a contract, and enter into written contracts for services which clearly outline the responsibilities of both parties for all current and future arrangements.</i>	Wade Stinson / Jim Bingham	Complete	
			Action Planned: CU Legal Counsel has reviewed the current documents used and has determined that all CU contracts and purchase orders are written, "formal" legal contracts that comply with State of Missouri Statute 432.070 RSMo. However, CU will formalize existing practices and written procedures related to the use of a purchase order versus a contract into a written policy.			
23			D. Reduce change orders and rebid - <i>Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.</i>	Wade Stinson / Jim Bingham	Complete	
			Action Taken: CU agrees with the state audit report that adequate planning should be done in advance of a project in order to minimize or avoid change orders while recognizing that on complex contracts, some change orders may be inevitable. Approval processes for change orders are in place which require review by varying levels of management including in some cases, the General Manager. Consideration will be given to re-bidding when the change is substantial or outside the original scope of the project and when the situation is appropriate to bid and would not adversely affect the continuity or timeline of the project.			
		9	Professional Services			
24			A. Procedures for legal services - <i>Solicit proposals for legal services to the extent practical. In addition, complete written contracts should be prepared (including ensuring all contracts are signed before the effective date of the contract), and adequate supporting documentation should be received for all charges.</i>	John Black	Complete	

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		Action Planned: Contracts with law firms have been reviewed and confirmed for execution with the requirement of necessary support documentation, which will be in all future contracts. Procedures/policies for procuring legal services are under review.			
25		B. Reduce change orders and rebid - <i>Take steps to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable services.</i>	Wade Stinson / Jim Bingham	Complete	
		Action Planned: CU agrees with the state audit report that adequate planning should be done in preparing the scope of any professional selection in order to minimize or avoid change orders while recognizing that change orders to extend the length of a professional selection may be necessary when additional work is needed on a specific project related contract and when that work is related to the original project. Professional Selection policy #4.25 will be reviewed and modified as necessary to clarify the length of the professional selection for task oriented contracts versus project contracts.			
26		C. Procedures for lobbyist services - <i>Require detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms, and develop procedures to monitor lobbyist activities.</i>	John Black / Kyle McClure	Complete	
		Action Taken: Lobbyists contracts have been reviewed and revised to require documentation of services; additional reporting and documenting requirements have been added where necessary.			
27		D. Avoid appearance of conflicts of interest - Relationship Fees - <i>Avoid payments that present the appearance of conflicts of interest.</i>	Jim Shuler	Complete	
		Action Taken: CU has reviewed the annual "surveillance" fees paid to rating agencies. These payments are for services provided by the rating agencies including surveillance of bond market ratings, discount pricing on new bond issuances, access to credit agency public power analysts, on-going correspondence with analysts to discuss industry outlooks, discussion of specific issues related to CU's credit market activity, and public finance power research reports. CU will continue to make payments for these industry norm fees as charged by the various rating agencies.			
	10	Procurement Card Expenditures			
28		A. Procedures for food purchased - <i>Develop comprehensive policies regarding utility-provided food purchase. These policies should establish more specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements for these expenditures. In addition, CU should be more vigilant in its review of such expenditures to ensure public funds are used properly and efficiently.</i>	Brenda Putman / Jim Bingham	Complete	
		Action Planned: A new policy is being developed that will address all CU non-travel food purchases.			
29		B. Prudent use of public funds - <i>Ensure all disbursements of utility funds are a necessary and prudent use of public funds.</i>	Brenda Putman / Jim Bingham	Complete	

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		Action Planned: The Purchasing Card Committee is currently planning training for all cardholders and management approving the cardholder's reconciliations. In addition, the six member committee continues to review all purchases according to current CU policies and procedures.			
30		C. Procurement card limits - <i>Review procurement card limits for reasonableness and adjust employees' transactions limits based on their past procurement activities and their need to perform assigned duties.</i>	Brenda Putman / Jim Bingham	Complete	
		Action Taken: The Purchasing Card Committee has reports that show each cardholder's use of their purchasing card by month for every year of the program. The committee will continue to review these on an ongoing basis to identify cards where the limits can be reduced or eliminated, but recognizes that certain employees have been issued cards for emergency use only.			
31		D. Transaction limits - <i>Ensure procurement card statements are more thoroughly reviewed to ensure transaction limits are not exceeded. In addition, a review of employee procurement card transaction limits filed with VISA should be performed to prevent purchases from exceeding approved limits.</i>	Brenda Putman / Jim Bingham	Complete	
		Action Taken: A procedure was implemented for the Purchasing Card Administrator to review limits implemented by the bank to ensure those limits match what was approved by CU management.			
32		E. Policy adherence - <i>Ensure procurement card policies are followed.</i>	Brenda Putman / Jim Bingham	Complete	
		Action Taken: The Purchasing Card Committee met to discuss purchasing card policy adherence and reviewed the policies to ensure their understanding. They will continue to meet on a monthly basis to review all purchasing card transactions.			
		New reports are being completed monthly in Internal Auditing to point out potential violations of the purchasing card policies that will be further reviewed by the Committee.			
33		F. Rewards points - <i>Develop procedures to ensure all reward points are remitted to CU.</i>	Brenda Putman / Jim Bingham	Complete	
		Action Taken: The Purchasing Card Procedures Manual has been updated to no longer allow employees to receive or retain "rewards points" for purchases made on behalf of CU. The purchasing cardholders have been informed of this change.			
	11 Memberships and Employee Reimbursements				
34		A. Membership organizations - <i>Determine if participation in various organizations provides a direct benefit to the utility. Also, if employee participation in such organizations is not business-related and does not benefit the utility, such reimbursements should be discontinued.</i>	Robin House	Complete	
		Action Planned: See action plan for item 3A. The proposed expenditure policy is being developed to establish a process for allocating funds within those public purposes established by the Board.			

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35		B. Prudent use of public funds - <i>Ensure all expenditures are a necessary and prudent use of public funds. Also, consider revisions to the current employee reimbursement policy to include meal cost limits or a reasonable per diem when purchasing business related meals.</i>	John Black	Complete	
		Action Planned: See action plan for item 3A. The proposed expenditure policy is being developed to establish a process for allocating funds within those public purposes established by the Board.			
36		C. Policy adherence - <i>Ensure travel policies are followed.</i>	Robin House	Complete	
		Action Planned: The CU travel policy is currently being reviewed and revisions will be made as needed.			
	12	Developer Reimbursements and Incentives			
37		A. Extension and incentive policy - <i>Ensure extension policies are followed and developed for incentives.</i>	Wade Stinson	Complete	
		Action Planned: The reimbursement to a developer for a predetermined cost is in payment for what becomes CU property, as directed by the CU extension policy. CU will modify its written "Waiver Approval Authority" document regarding developer incentives to update waiver limits and approval authority.			
38		B. Fiber optic conduit extension policy - <i>Develop a policy for handling extensions of the fiber optic conduit.</i>	Wade Stinson	Complete	
		Action Planned: SpringNet is preparing a memo to address the issue of "speculative conduit." This memo will guide, align, and help to identify SpringNet business development efforts with those of the TechHOUSE and Economic Development. Speculative conduit installation shall require approval of the Associate General Manager – Operations and the Director – SpringNet.			
39		C. Contracts - <i>Enter into formal written contracts which specify the services to be provided and the amount of reimbursement. These contracts should adequately detail the rights and duties of all parties to the respective contracts.</i>	Wade Stinson	Complete	
		Action Taken: The Board-approved Extension Policy since 1999 requires formal written contracts for developer reimbursements. The state audit report refers to a development that began prior to the 1999 policy. Any new sections of this development will have a written contract.			
40		D. Developer costs - <i>Consider implementing procedures to periodically review developer costs for accuracy.</i>	Wade Stinson	Complete	
		Action Taken: The current CU extension policy requires the developer to provide CU with the actual bids from contractors for utility extensions upon request. CU reviews this data to establish an average cost for utility extensions, which is updated every two years in the extension policy and presented for Board approval. A memo has been issued to TechHouse employees re-emphasizing this policy.			
41		E. Developer reimbursements - <i>Handle all reimbursements in a consistent manner.</i>	Wade Stinson	Complete	
		Action Taken: All developer reimbursements will be handled in accordance with the Board-approved extension policy for the applicable period.			

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42		F. Partial reimbursements - <i>Develop a policy for handling partial reimbursements on system extensions.</i>	Wade Stinson	Complete	
		Action Planned: CU plans to update the extension policy to specify that partial reimbursements will not be allowed.			
43	13	Cost Benefit Studies <i>State Auditors recommend the Board of Public Utilities perform cost benefit studies and review advertising and print shop costs to ensure they provide a benefit to the utility. The utility should track the cost of each print shop project, and the preliminary cost benefit study of the in-house medical clinic should be updated periodically.</i>	Jim Shuler	Complete	
		Action Planned: 1) Customer information/education costs will be itemized to identify the appropriate benefits to the utility. The print shop analysis will be updated to assure the continued appropriate cost/benefit is being achieved via these services. A review of tracking costs for print shop projects will be performed to determine the cost effectiveness of accumulating these costs.  2) CU agrees that the preliminary cost benefit study of the in-house medical clinic should be updated periodically to assure this investment is achieving an appropriate benefit for the utility. The cost benefit study is scheduled to be updated in fiscal 2008 following two years of accumulated data. In addition, continual review is performed by the benefits committee to ensure optimum management, operation, and benefit of the clinic.			
	14	Compensation			
44		A. Equitable salary standards - <i>Apply a consistent and equitable standard to salary determination and ensure salaries paid represent a prudent use of public monies.</i>	Robin House / Lisa Turner	Complete	
		Action Planned: Executive salary benchmark standards will be addressed during the 2008/2009 nonunion salary and benefits survey. The consultant will be presenting results and recommendations at the October 2008 Board Meeting.			
45		B. General Manager contract - <i>Ensure the contract with the General Manager is updated to include the correct salary grade and consider the necessity of including severance payments in future employment contracts.</i>	Robin House / John Black	Complete	
		Action Planned: The Memorandum of Understanding and Resolution relating to the General Manager's employment contract has been updated to reflect his current salary and was submitted to the Board and approved at the January 31, 2008, meeting.  Other contract terms will be addressed during the General Manager's 2008 performance evaluation scheduled for November 2008.			
46		C. General Manager board involvement - <i>Review the General Manager's involvement with these boards.</i>	Robin House / John Black	Complete	
		Action Taken: The updated employment contract for the General Manager was submitted to the Board and approved at its January 31 meeting, and states that the General Manager will report annually to the Board all professional and civic organization involvement.			

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	15	Cash Handling and Control Procedures			
47		A. Mail room procedures - <i>Ensure all monies received in the mail room are properly recorded.</i>	Brenda Putman	Complete	
		Action Taken: All check payments are processed through the automated remittance processor and all cash payments are processed by Customer Services Representatives. Effective October 1, 2007, a log is maintained of all cash payments received and supervisors are spot checking the log postings. Procedures have been written assigning these responsibilities and detailing the frequency and documentation requirements of the new procedures.			
48		B. Night depository - <i>Limit access to cash received through the night depository.</i>	Brenda Putman	Complete	
		Action Taken: Effective October 1, 2007, the security guard charged with obtaining the night depository delivers the contents directly to the remittance processing personnel. Access to these funds has been further limited as recommended.			
49		C. Receipt slips - <i>Ensure the numerical sequence of receipts slips is accounted for properly.</i>	Brenda Putman	Complete	
		Action Taken: Effective January 18, 2008, Customer Services implemented a procedure for a Supervisor or Manager to periodically review the sequence numbers of transactions from randomly selected Customer Services Representatives to ensure the computer generated sequence numbers are accurate and operating as intended. Procedures have been written assigning the responsibilities and documenting the frequency and volume of items to verify.			
50		D. Cashier workstations - <i>Ensure workstations are properly exited by cashiers when leaving for lunch.</i>	Brenda Putman	Complete	
		Action Taken: This issue was evaluated immediately following the exit conference with the State Auditors. CU identified this cashier workstation system limitation prior to CIS implementation. CU continues to provide vendor recommendations to fully address this software limitation and hopes that future software updates will resolve this problem. In the meantime, CU has implemented compensating controls to limit the risks associated with multiple cashiers using a cash drawer.			
51		E. Cashier shortages - <i>Ensure the review of shortages and possible reasons why shortages occur is adequately documented.</i>	Brenda Putman	Complete	

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		Action Taken: This issue was reevaluated immediately following the State Auditor's exit conference. Current procedures require one Senior Customer Services Representative (CSR) and one Supervisor to recount the cash and review the Cashier's daily work to locate the difference. Based on the combined knowledge and experience, most errors are located and corrected immediately. If after this review the difference is not evident, it is assumed to be a cashier error. Reports on CSR overages and shortages are compiled daily and monthly by individual CSR for management review. Consistent or continuous errors are addressed as incurred and corrected. For the year ended September, 2007, cash overages totaled \$1185 and cash shortages totaled \$1533 for a net shortage of \$348 on total receipts of over \$445 million, including those taken at the cashier windows. Based upon this reevaluation, the documentation, tracking and review procedures related to cash shortages appear to be adequate and effective.			
52		F. Personal check cashing - <i>Discontinue the practice of cashing personal checks for employees and third party checks from customers, and deposit utility receipts intact.</i>	Brenda Putman	Complete	
		Action Taken: Effective October 15, 2007, Policy #2.39 was issued that states Customer Services Representatives will no longer cash employee checks-personal or third party.			
53		G. TechHouse cash procedures - <i>Ensure prenumbered receipt slips are issued for all monies received at the TechHouse, the method of payment is recorded on each receipt slip, and the composition of receipts is reconciled to the composition of deposits. Also, ensure the numerical sequence of applications is accounted for properly, and reconcile applications issued to amounts deposited. In addition, application fee waivers should be approved in accordance with utility policy, and monies should be deposited daily.</i>	Brenda Putman	Complete	
		Action Planned: TechHouse receipts have been redesigned and are being printed with sequence numbers and check boxes to indicate the method of payment. In addition, an automated report is being created so that daily receipts may be reconciled to applications. The courier is now depositing funds consistently each day. Blanket fee waiver procedures are no longer used and all waiver requests are forwarded for General Manager approval.			
54		H. Collector procedures - <i>Ensure prenumbered receipt slips are issued for all monies received by the door-to-door collectors, establish formal policies regarding delinquent amounts to be collected in order to avoid disconnection of utility service, reconcile monthly activity reports with amounts recorded and deposited, and limit access to door-to-door collections.</i>	Robin House	Complete	
		Action Planned: Management has developed new procedures for the collection process. A meeting with union representatives is scheduled for early February to finalize the new procedures.			
55		I. Collection site procedures - <i>Enter into written agreements with all collection sites and also document established controls and procedures over their collection of utility payments.</i>	Brenda Putman	Complete	

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		Action Taken: At the time the state audit report was issued, there were two remaining collection sites without signed agreements. One of these entities is no longer a collection site for CU. The other sent their signed agreement and it was received on January 17, 2008. The standard collection site agreement already contains language regarding timely deposits. Procedures have been documented and implemented to track deposits and address any issues related to untimely deposits, and also to review the agreements periodically to ensure they are up to date.			
56		J. Petty cash procedures - <i>Implement stronger controls over petty cash funds including reviewing the main office petty cash balance to ensure the fund balance is not excessive, and requiring the senior CSR responsible for the main office petty cash fund to obtain and review supporting documentation for petty cash fund expenditures prior to replenishment of other funds.</i>	Brenda Putman	Complete	
		Action Taken: This issue was evaluated immediately following the exit conference with the State Auditors. The main office petty cash fund is utilized by various departments at the main office that do not maintain their own petty cash fund. This fund may also be used during an emergency or major outage for food and miscellaneous supplies. Therefore, it was determined that the fund balance was not excessive. Additionally, this fund is secured. The main office petty cash fund is subject to surprise counts by Customer Services supervision and Internal Auditing. The replenishment form and procedures have also been reviewed and appear to be sufficient and effective.			
	16 Utility System Controls and Procedures				
57		A. Account adjustments - <i>Establish formal written policies for adjustments made to utility accounts. These written policies should provide cashiers with guidance and limit the risk of improper adjustments. In addition, all supervisory reviews of adjustments should be adequately documented.</i>	Brenda Putman	Complete	
		Action Taken: The documentation for account adjustments that was used for training has been expanded into formal procedures. Language has been added to prohibit Customer Services Representatives (CSR) from entering adjustments to accounts of family and/or close friends. The various types of adjustments have been documented in the procedures including those that are restricted to Senior CSR's and those requiring supervisory approval. The review form has been updated to require full signatures of the reviewers. In addition, Internal Auditing is investigating the use of auditing software to analyze the account adjustments by CSR's over extended periods of time to detect patterns or inappropriate adjustments.			
58		B. Uncollectible accounts - <i>Develop written policies for the write-off of uncollectible accounts.</i>	Robin House	Complete	
		Action Planned: Uncollectible accounts have previously been addressed and controlled through the use of an automated query. This system query is run based on predetermined criteria for collection, time, balance, and final billing. Only accounts showing up on this query are to be written off. Procedures are currently being documented that specify actual practices regarding uncollectible accounts.			

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Action Item #	State Audit Ref		Action Item/ Improvement Made	Person(s) Responsible	Status	Expected Completion Date
59			C. Complex Billing System procedures - <i>Require someone independent of the Complex Billing System to review billings and adjustments of large customer accounts.</i>	Brenda Putman	Complete	
			Action Planned: This issue was reviewed immediately following the exit conference with the State Auditors. Within the Pricing area, system controls are in place that require that the system user who entered an adjustment can not solely post the adjustment to the account. Segregation of duties are in place and do not allow one person to enter and save an adjustment in the Complex Billing System. However, it is noted that the Rates Analyst reports directly to the Director-Pricing, both of whom have duties in the process. Given the limited size of the area, further segregation within the area is not possible. Outside of the Pricing area, the Manager-Financial Reporting reviews the journal entries created in the Pricing area for reasonableness and approves them to be posted. Billing information from Complex Billing feeds into the Customer Information System (CIS) to generate bills and process billing adjustments. Therefore the Complex Billing bills are also subject to the independent controls and reviews of the CIS system, which includes reviews of adjustments by Finance and Customer Services.			
60			D. Customer deposits - <i>Establish a more detailed policy for handling of customer deposits. In addition, documentation should be maintained and reviewed for customer deposit waivers.</i>	Brenda Putman	Complete	
			Action Planned: Policy #5.47 "Service Rules and Regulations", provides guidance on customer deposits. Customer Services also has some desk procedures regarding deposits that are used during training of new Customer Services Representatives. These desk procedures will be evaluated and possibly expanded into more formal procedures. Customer Services will also evaluate the current desk procedures to determine if additional detail regarding deposit waivers is needed, in addition to investigating possibilities to document waivers.			
61			E. Non-cash customer deposits - <i>Ensure non-cash customer deposits are adequately monitored and related records are accurate.</i>	Brenda Putman	Complete	
			Action Taken: The non-cash customer deposit listing was reviewed and updated prior to the end of the State Audit field work. This listing will be routinely monitored and updated for expiring documents. Procedures have been documented to reference the assignment of these duties and the required frequency of updates to these deposits.			
	17	Transit Department				
62			A. Segregation of duties - <i>Properly segregate duties between available employees and/or establish a documented periodic review of receipts by the independent person.</i>	Brenda Putman / Carol Cruise	Complete	
			Action Planned: Internal Auditing will be completing their review of the process of handling Transit receipts in the near future to determine if additional improvements can be made in this process.			

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<b>Action Item #</b>	<b>State Audit Ref</b>	<b>Action Item/ Improvement Made</b>	<b>Person(s) Responsible</b>	<b>Status</b>	<b>Expected Completion Date</b>
63		B. Transit cash procedures - <i>Develop procedures to improve the handling of cash that is placed in bus fare boxes by customers, deposit receipts in a timely manner, track overages and shortages perpetually, and reconcile the composition of receipts to the composition of each deposit. Also, ensure checks and money orders are endorsed immediately upon receipt.</i>	Brenda Putman / Carol Cruise	Complete	
		Action Planned: Improvements to the Transit cash procedures include an additional weekly deposit of fare box receipts and office sales that was implemented in November 2007. Additional "endorsement ink stamps" were purchased during the summer of 2007 to insure that Transit staff are immediately endorsing checks and money orders received for payment of Transit fares. Another planned control will be the acquisition of a cash counting machine that will enable the Transit management to know how much money is being sent to the bank before it is removed from the premises. Internal Auditing is also considering whether other cost effective improvements can be made in this area.			
	18	Fleet Management and Vehicle Allowances			
64		A. Reconciliation of fuels - <i>Ensure a documented periodic reconciliation of fuel purchased to amounts used is performed, and investigate any significant discrepancies. In addition, ensure usage logs are maintained for all utility vehicles.</i>	Jim Shuler / Jim Bingham	Complete	
		Action Planned: CU agrees that a reconciliation of fuels purchased to fuels used should be performed on a periodic basis and documented appropriately, and that fuel usage records be maintained for all utility vehicles. Internal Auditing has determined that the existing reconciliation processes meet the necessary standards. CU will formalize existing practices and procedures into a written document.			
65		B. Take home vehicles - <i>Ensure documentation of justification and approval of take home vehicles is maintained in accordance with utility policy. In addition, review the cost effectiveness of allowing employees to take utility owned vehicles home.</i>	Wade Stinson	Complete	
		Action Taken: CU has taken steps to ensure take home vehicles are justified and approved on an annual basis and appropriate documentation retained. The 2008 justifications were completed January 15, 2008. CU has also reviewed take home vehicle practices as recommended.			
		C. Vehicle allowances - <i>Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.</i>	Robin House	Complete	
66		Action Planned: The vehicle allowance has been reviewed and a recommendation for adjusting the allowance will be made to the Board in October 2008.			
	19	Stockton Lake Pump Failure and Preventive Maintenance			
67		A. Future pumps - <i>Take adequate steps to prevent future pump failures and consider fully implementing the recommendations of the consultant's report.</i>	Wade Stinson / Gary Gibson	In Process	Jan-09

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Action Item #	State Audit Ref		Action Item/ Improvement Made	Person(s) Responsible	Status	Expected Completion Date
			Action Planned: The Black and Veatch report included 13 recommendations to prevent future pump failures. Nine of the recommendations have been completed and the other four are in the process of being completed, with the completion of three of these expected by January 2009.			
68			B. Preventative maintenance plans - <i>Ensure formal preventative maintenance plans are established to prevent or limit future system failures and to provide greater input into the overall budgeting process.</i>	Wade Stinson / Todd Murren / Mike Moore	Complete	
			Action Planned: SpringNet will develop the SpringNet Underground Operations and Maintenance Manual to ensure reliable system operations of the facility. SpringNet is working with Human Resources to utilize a coop student with technical writing skills to help in the preparation of this manual.  The Telecommunications / Operations Technology area will develop operations and maintenance plans for the Trunked Radio System and the CU voice telephony system.			
69		20 Tree and Brush Maintenance	<i>State Auditors recommend the Board of Public Utilities should take a more proactive approach to tree management and implement ice storm recommendations in a timely manner. In addition, periodically update the cost benefit study to ensure the utility is making the most economical decision, and establish performance measurement procedures related to tree trimming policies.</i>	Wade Stinson / Brent McKinney	Complete	
			Action Planned: CU is implementing the recommendations in the state audit report by increasing the annual tree trimming budget to \$2.5 million throughout the five-year plan, moving to a cycle based trimming program, increasing the public education campaign, seeking public input regarding changes to the tree trimming policy, updating the cost benefit study and developing performance measures for tree trimming. All of these items are complete except for the updating of policies based upon public input.			
		21 Minutes and Inventory Procedures				
70			A. Closed board meetings - <i>Ensure minutes publicly disclose the final disposition of applicable matters discussed in closed session. In addition, the board should ensure closed meetings are conducted according to state law.</i>	John Black	Complete	
			Action Taken: The Assistant to the Board of Public Utilities will add to the open minutes of the Board the following item: Final disposition of matters previously considered by the Board in closed session where the transaction is now complete. Future Board member training will specifically address the Sunshine Law, including closed session requirements.			
71			B. Pole attachments - <i>Track the relative number of pole attachments to ensure the exchange is equitable.</i>	Wade Stinson	Complete	

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Action Item #	State Audit Ref	Action Item/ Improvement Made	Person(s) Responsible	Status	Expected Completion Date
		Action Taken: A pole attachment survey was completed during the 2007 post ice storm system assessment performed by Osmose Utility Services. CU has reviewed this updated pole attachment information and the existing pole attachment agreement with AT&T and has determined that the exchange detailed in the existing agreement is equitable. Based on the Osmose assessment we are following up with the other entities with which CU has pole attachment agreements.			
72		C. Physical inventory counts - <i>Ensure physical inventory counts are performed by individuals who are independent of the custodial and record-keeping functions.</i>	Brenda Putman / Jim Shuler	Complete	
		Action Planned: Management has decided to implement 100% inventory counts of the 6 storerooms with one being completed each year on a 6-year rotation cycle. These will involve Stores employees as well as other persons independent of the inventory custodial function for each storeroom. The budget to accomplish the first 100% inventory is being included in the 2009 operating plan.			
			Complete	69	
			In Process	3	
			Total	72	