

Performance Audit

**PITTSBURGH
WATER and SEWER
AUTHORITY**

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Douglas W. Anderson, Deputy Controller

Anabell Kinney, Management Auditor

Gloria Novak, Assistant Management Auditor

Bette Ann Puharic, Performance Auditor

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To the Honorables: Mayor Luke Ravenstahl and
Members of Pittsburgh City Council:

The Office of City Controller is pleased to present this Performance Audit of the *Pittsburgh Water and Sewer Authority*, conducted pursuant to the Controller's powers under Section 404(c) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Pittsburgh Water and Sewer Authority (PWSA) was created on February 17, 1984 under the Pennsylvania Municipality Authorities Act of 1945. The Authority's primary purpose at that time was to oversee a \$200 million capital improvement project to the City water system. Prior to 1984, the City Water and Public Works Departments managed the City's water and sewer systems.

Under an Agreement and Capital Lease Agreement, effective July 27, 1995, the City Water Department became a part of the PWSA. The Authority became responsible for producing and supplying water and maintaining and operating the City water infrastructure. In 1999 PWSA assumed responsibility for operating and maintaining the entire City sewer system. PWSA supplies water to approximately 80,000 customers.

This audit assesses the Authority's procurement practices, delinquency and exoneration procedures, water treatment effectiveness and customer service accessibility.

Findings and Recommendations

Professional Services Contract Policies and Procedures

Finding: In April 2009, a draft proposal for Policies and Procedures for Professional or Personal Services Contracts (PPPPSC) was presented to the PWSA board. The new policies have been in use since April 2009 but have not yet been formally approved by the Board.

Recommendation: The PWSA Board should formally adopt the new Policies and Procedures for Professional or Personal Services Contracts that are being used throughout the Authority.

Procedures for awarding professional services contracts vary according to the estimated cost of the service. One phone quote is obtained for contracts under \$10,000. Phone quotes are obtained from three vendors and awarded to the lowest bidder for contracts valued between \$10,000 and \$25,000. A Request for Proposal (RFP) is issued for contracts that exceed \$25,000.

Finding: The term 'Request For Proposal' is used inaccurately. The Authority is confusing a request for proposal with a proposal.

Recommendation: The PWSA Policies and Procedures for Professional and Personal Services Contracts should be revised with proper RFP and proposal terminology.

Finding: As written, PWSA's Policies and Procedures comply with the professional services contract selection procedures applicable to all State agencies, departments, bureaus and other divisions.

Construction and Procurement Contract Compliance

Finding: Contract file documentation indicates that PWSA operating (procurement) contracts and capital (construction) contract awards comply with statutory requirements for advertising and for awarding the contract to the lowest responsible bidder.

Finding: Overall, document consistency throughout the files was good with 11 of the 16 file components selected by the auditors being in the file over 92% of the time.

Recommendation: A checklist of all items required to document the contract bid and award process should be attached to the front of the file. Contract file documentation should include copies of all bids received.

Finding: One contract was not awarded to the lowest bidder and there was no explanation found in the file.

Recommendation: If the lowest bidder has not been awarded the contract, there must be an explanation in the file as to why the lowest bidder was not selected.

Finding: Eight or 15.38% of the contract files only had one bidder. While technically this meets the standard of taking the lowest bidder, it does not always ensure that the Authority is getting the best price possible.

Recommendation: The Authority should follow-up with potential bidders to find out why a bid was not submitted. Attempts should be made to ensure that more than one bidder responds.

Professional Services Contract Award Compliance

Finding: Professional Services contract documentation is not kept in a central location. The contracts are kept in a central file but all award documentation is kept by managers that oversee the contracts.

Recommendation: PWSA should maintain all relevant contract documentation in a central location. Having relevant contract documentation in one location would allow quicker access to needed documents and facilitate internal and external audit process.

Finding: Prior to April 2009, professional service contract award procedures appear to have been at the discretion of each PWSA department. The Director of Engineering evaluated proposals prior to awarding a contract.

The evaluation of proposals criterion was applied to the 2 contracts in testing sample that were awarded prior to April 2009.

Finding: PWSA did not provide proposal evaluation documentation for the 2 contracts in the testing sample that were awarded before April 2009.

Finding: Lowest price appears to have been a major factor in the awarding of professional service contracts prior to the adoption of formal policies and procedures.

Six contracts awarded during the audit scope period were awarded after the Authority adopted Policies and Procedures for Professional or Personal Services Contracts. The auditors requested the back up documentation used to award the contracts.

Contracts Under \$10,000

One contract for electrical engineering design and drafting was valued at \$9,900.

Finding: The written proposal submitted by the vendor more than complies with the Authority's requirement to obtain a phone quote.

Contracts Between \$10,000 and \$25,000

The Authority produced Board resolutions authorizing two contract awards to the same vendor for filter workstation upgrades at two different locations.

Finding: A Board resolution stating that the vendor "has been determined to be the lowest responsible and qualified bidder" was the only documentation produced by PWSA. No e-mail or fax confirming the winning bid was sent.

Contracts That Exceed \$25,000

One contract that was 'piggybacked' onto an existing Fox Chapel Water Authority contract was eliminated from the testing sample.

Finding: PWSA does not appear to be complying with its professional services award policies and procedures. The Authority did not provide documentation of proposal evaluations or fee/contract scope negotiations for the remaining two professional services contracts in the testing sample.

A contract for Automated Meter Reading Services is titled an "Amendment to Contract".

Finding: A Board resolution states that the contract was amended after “a thorough process to identify and evaluate automated meter reading service providers and solicit proposals”. The Authority did not provide any supporting documentation confirming that proposals had been evaluated for this contract.

Finding: The amended contract references the sections to be deleted in the original contract but does not indicate the substance of what has been deleted. Only the text of the amended sections is included in the amended agreement.

Recommendation: Contract amendments should contain the full text of the deleted contract sections as well as the replacement language.

Finding: The amendments appear so substantial that the amended contract is really a new contract.

Recommendation: Contracts are routinely amended. However, if the amendments significantly modify or change the terms and duration of the original contract, a better practice is to draft a new contract and state that the new contract supersedes and terminates the old contract.

A contract for Warranty Line Services was awarded July 31, 2009 as an ‘opt in’ program and amended December 30, 2009 as an ‘opt out’ program.

Finding: The auditors did not receive documentation of proposal evaluations by the Evaluation Committee or documentation of fee and contract scope negotiations with the selected bidder, Utility Line Services (ULS).

Recommendation: PWSA should maintain documentation that demonstrates compliance with its policies and procedures for awarding professional service contracts and agreements.

Finding: The amended ULS contract also revokes the rebate schedule agreed to in the original contract: “No rebates will be paid for any customers enrolled in the program”. Instead, ULS now guarantees “the separation of identified sanitary and storm sewers” services for participating customers up to \$1,000,000 a year.

Finding: The trade off for revoking the rebate payment to PWSA is sewer separation coverage to participating customers who sell their homes and other customers who must separate their sewer lines into the appropriate sewer main. The contract covers up to “\$50,000 per year for every 5,000 customers enrolled in the program” up to \$1,000,000 per year. In addition, PWSA must provide billing services for ULS.

Finding: Amending the initial contract from a standard opt-in program to an opt-out program has resulted in two lawsuits filed against the PWSA. Allegations include unfair business practices, violation of the State Constitution, competitive bidding rules, rules regarding competition with private providers and conflict of interest.

Warranty Line Service Terms

Finding: ULS brochure implies the policy will not cover buildings that do not possess a current Certificate of Occupancy. A Certificate of Occupancy requirement could disqualify many homes and after paying years of ULS payments the homeowner problems could be disqualified.

Recommendation: PWSA must have ULS eliminate this Certificate of Occupancy requirement or clarify its meaning. This clause is found in the fine print of items not covered and potentially disqualifies people who have paid for years.

Finding: PWSA's water bill does not remind customers that a current payment is needed for the warranty line service policy to be in effect.

Recommendation: Customers need reminded to keep current on the payments or this line protection coverage will be terminated. PWSA also should clarify whether a late or missed monthly payment negates the coverage.

Finding: No where in the ULS brochure or on PWSA's bill or website is the customer informed of the dye testing coverage.

Finding: PWSA's map indicates that that the vast majority of City residents will not require dye testing when their house is sold.

Recommendation: If required sewer line separations are part of the \$5.00 a month cost, customers should be informed of this benefit. This information might help the customer decide whether or not to keep the coverage.

Benefit of Amended Contract

Finding: The opt-out program benefits customers with a lower monthly fee and no dollar limit on repair cost. Gas line coverage can be added for \$3.50 more a month.

Finding: The ULS plan appears to provide more coverage for less money than similar available warranty plans.

Finding: The amended contract is of significant benefit to the provider. With 110,000 customers billed \$5.00 per month, PWSA is guaranteeing ULS an income of \$550,000 a month or \$6,600,000 a year unless customers opt-out. Even at 75% participation, the number of customers participating is 82,500 yielding a monthly income of \$412,500 or \$4,950,000 a year.

Recommendation: With an annual cash stream close to 4 or 5 million dollars a year, PWSA should investigate offering this program in-house. The Authority already owns much of the equipment needed for these line repair jobs. PWSA should maintain a list of 'pre-qualified' contractors to engage as needed.

Delinquent Accounts

Finding: Once water service is terminated, all arrearages must be paid in full before water can be turned on. No payment plan will be accepted.

Recommendation: Given the current economic downswing, the Authority should explore alternate payment options for restoring water service. For example, a lump sum payment with a payment plan could be offered in lieu of requiring payment of all arrearages.

Collection Services Contract

Finding: The PWSA contract with Jordan Tax Service prioritizes payment to the Special Legal Counsel and to Jordan Tax Service when partial payments are made.

Recommendation: The PWSA should study the cost effectiveness of its contract with Jordan Tax Service regarding partial payments on delinquent accounts to determine if the legal fees and servicing expenses are excessive relative to the amount of the delinquent claim and to the amount paid to PWSA.

Recommendation: PWSA should compare the delinquent account collection rate pre and post Jordan to determine if collections have improved since engaging a third party collector.

Exonerations

An exoneration is a re-computation of water charges and an amnesty or forgiveness on the excess amount.

Finding: Though estimated readings are considered an error by PWSA, exonerations are not automatic and the customer must write the PWSA and request an exoneration hearing.

Finding: PWSA's billing to the customer does not clearly inform that a bill is an ESTIMATE and not an ACTUAL reading.

Recommendation: PWSA needs to better inform customers that their bill is an estimated. They should place an asterisk (*) next to where the word "EST" (representing an "ESTIMATE READING") is on the customer's bill that corresponds to an explanation in bold and capital letters right under the TOTAL AMOUNT DUE on the bill.

Exoneration Policy

Finding: Estimated readings under 12 months are not entitled to exoneration despite the Exoneration Board standard that "under 2 years of estimated readings" receives a deduction.

Finding: A time period of ‘less than two years’ and ‘between 12 months and 23 months’ is not the same. “Less than two years” is less specific and should require some adjustment for every month a bill is estimated.

Recommendation: Exoneration policy should be written consistently. If exoneration policy doesn’t allow exonerations for less than 12 months of estimated readings, it should be written that way. A clearer way to explain the period of time for exonerations is 12 to 23 months, 24 to 35 months, etc.

Finding: There are no written procedures for PWSA’s initial exoneration process.

Recommendation: Because this process is being used by PWSA Customer Service it should be formalized in writing with Board approval.

Finding: For customers with over 24 months of estimated bills the initial adjustment offer is less than what is offered at an Exoneration Board hearing. The initial adjustment offer favors the Authority.

Finding: It benefits customers with over 24 months of estimated readings to refuse the initial appeal offer and wait for the subsequent appeal offer or proceed to a hearing in front of the Exoneration Board.

Residential Account Exoneration Process Compliance

Finding: Twenty-two (22) residential exonerations or 23.2% of the 6 month sample matched the initial residential offering of 50%. Rounding tenths up and down would be 76% of the sample a 50% offering.

Recommendation: Dividing amounts in half should yield 50% off. The fact that some amounts are higher or lower by a few tenths or by several percents points leaves questions about the calculation process. The amount offered should be rechecked.

Commercial Account Exoneration Process Compliance

Finding: An exoneration of 50.1% was offered to a customer who primarily manages residential property although the property at issue was commercial.

Recommendation: To ensure that the correct exoneration percentage is initially offered, accounts must be correctly identified as residential or commercial.

Recommendation: If estimated readings are the fault of the Authority, all individuals with estimated readings should have an automatic water bill adjustment without having to request exoneration.

E-mail Accessibility

The PWSA web site as well as the telephone on-hold message encourages customers to contact the Authority by e-mail to have questions answered. PWSA was emailed on 12-18-09 and again on 2-22-10 with a question about an Auditor's water bill.

Finding: PWSA has not yet responded to the auditor's question by e-mail.

Recommendation: This service is being promoted and should work. PWSA should investigate the problem with lack of e-mail responsiveness and make corrections.

Telephone Accessibility

The auditors made Ninety (90) phone-calls to Customer Service between February 22nd and March 19th 2010.

Finding: Forty nine percent (49%) of all calls made had 18 or more callers ahead. 85% of all calls had 10 or more callers ahead.

Finding: The 12 people in the call center represent 4.7% of PWSA 255 employee workforce. The entire customer service workforce of 39 is only 15% of PWSA workforce.

Recommendation: PWSA should hire more employees for its call center. A long waiting time gives the public a negative image of the Authority and is a frustrating experience for the caller. .

On line Account Management

Finding: To sign in for on line access requires the customer to type in their water account number while most utilities "paperless" sign on systems use an email address or personalize customer ID for easy sign on access.

Finding: PWSA pays between \$80,000 to \$100,000 for Management, Operational and Organizational Services and pays up to \$165 an hour for Evaluation of Management Info Systems.

Recommendation: The Management and Computer Systems contractors should be able to come up with a more user friendly approach to the on line service.

Customer Treatment Observations

Finding: The front desk the person was rude and barely looked up from her crossword puzzle to answer a question.

Recommendation: Front desk personnel are a water customer's first point of contact. Customer service training should be given to all front desk personnel whether they are employed by the Authority or landlord.

Finding: The customer service windows are not handicapped accessible. People on crutches and walkers have to stand to take care of their business.

Finding: No handicapped parking is available near the PWSA offices.

Recommendation: In addition to the ramp outside, handicapped accessibility should be improved by offering parking that is in close proximity to PWSA and offering seating during customer service transactions.

Finding: Personal checks are not accepted to stop water shut off. Even if the shut off date is a week or more away, a personal check will not be taken.

Recommendation: The Authority should revise its policy and accept personal checks to stop water shut offs. Personal checks are accepted for monthly bill payments. There is no reason not to accept them for other payment purposes.

Water Treatment Quality

Membrane filtration systems such as the one used at PWSA's Highland Reservoir No. 1 can remove more contaminants such as giardia and cryptosporidium through filtration alone.

Finding: PWSA customers serviced by the membrane filtration plant at Highland Reservoir No.1 are getting better quality water than the majority of PWSA customers whose water is treated with conventional coal and sand filtration.

Finding: Water quality reports sent by PWSA to customers getting conventionally treated water carry a warning for immuno-compromised individuals about microbial 'contaminants' in the drinking the water.

Membrane Filtration Plant Cost

Finding: Keeping the Highland Park reservoir uncovered enhances the aesthetics of Highland Park at a significant cost to all Authority ratepayers. The membrane filtration plant was estimated to cost 20 million dollars amortized over a 20 year period. Covering the reservoir with a floating cover would have cost 3 to 5 million dollars and need replaced every 15 to 20 years.

Finding: The membrane filtration plant also needs service and updating. Currently there are two contracts awarded to a consultant to plan these up grades. The cost of Filter Workstation Upgrade, Option 1B is \$18,000; the cost of Membrane Filtration Plant Workstation Upgrade, Option 2B is \$20,000.

Marcellus Shale Threat to Pittsburgh's Drinking Water

Finding: Marcellus shale waste can only be removed with an ultrafiltration membrane. None of PWSA's treatment plants can successfully remove contamination from 'frack' water.

Finding: New regulations proposed by the state's Environmental Quality Board would limit the amount of pollution in the fracking water released back into streams or other bodies of water. Water that exceeds the pollution limits would have to be treated prior to release.

Recommendation: PWSA should vigorously lobby the state legislature to adopt the proposed regulations and any others that protect Pennsylvania water from Marcellus Shale drilling pollution.

PWSA Lease

Finding: The newly renovated office space amounts to 536.6 square ft per employee at a yearly cost of \$593,034 for the first 5 years, \$615,843 for years 6-10, \$661,461 for years 11-15, and \$684,270 for years 16-20.

Finding: The amount of office space seems excessive for the number of employees housed there. The cost to the Authority is not economical or efficient.

We are pleased that the Pittsburgh Water and Sewer Authority agrees with many of our recommendations to improve authority operations.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Pittsburgh Water and Sewer Authority (PWSA) was conducted pursuant to section 404(c) of the Pittsburgh Home Rule Charter. A 2006 performance audit assessed Authority enforcement of existing inter-municipal sewer maintenance agreements, whether new or updated agreements were needed and whether the City or PWSA should initiate new agreements. This audit assesses the Authority's procurement practices, delinquency and exoneration procedures, water treatment effectiveness and customer service accessibility.

OVERVIEW

History

The Pittsburgh Water and Sewer Authority (PWSA) was created on February 17, 1984 under the Pennsylvania Municipality Authorities Act of 1945. The Authority's primary purpose at that time was to oversee a \$200 million capital improvement project to the City water system. Improvements to water treatment and distribution facilities were needed to comply with State and Federal Safe Drinking Water Acts requirements. Completed improvements included covering existing open water reservoirs or replacing them with closed tanks. Because of community opposition, the Highland Reservoir No.1 remains uncovered but was later connected to a membrane filtration plant that filters the water prior to distribution.

Prior to 1984, the City Water and Public Works Departments managed the City's water and sewer systems. The City transferred operation and maintenance of the system to the newly created authority via a Lease and Management Agreement dated March 29, 1984. The Authority "leased" the existing water and sewer systems and the City provided services necessary to operate the systems as an agent for the Authority. This agency relationship was terminated by a Cooperation Agreement effective January 1, 1995. Then, under a new Agreement and Capital Lease Agreement, effective July 27, 1995, the City Water Department became a part of the PWSA. The Authority became responsible for producing and supplying water and maintaining and operating the water infrastructure. In 1999 PWSA assumed responsibility for operating and maintaining the entire City sewer system. PWSA supplies water to approximately 80,000 customers.

Organizational Chart

PWSA is governed by a seven member Board of Directors appointed by the Mayor for five year terms. The Board meets monthly to discuss policy and to vote on resolutions. The meetings are open to the public. The Board is responsible for making all policy decisions regarding financial, operational and administrative procedures. The Executive Director is responsible for implementing the Board's authorizations and policies and overseeing the Authority's day-to-day operations. The Authority employs 255 employees in its three divisions: Administration, Engineering & Construction and Operations. Employee distribution within the

three main divisions is as follows: Administration with 66 employees; Water Operations with 74; Sewer Operations with 50; Engineering has 17; and Production has 48.

Divisions

According to the PWSA website, its Administration division is responsible for daily administrative and support services including claims, communications, customer service, finance, human resources and management information systems.

Engineering & Construction is responsible for capital improvement programs, technical solutions to daily operations and problems, working with the Combined Sewer Overflow (CSO) and Sanitary Sewer Overflow (SSO) directives, and assisting the public with tap-in applications and preparation. Engineering & Construction also deals with resolving emergency situations and problems such as acts of nature, careless excavation, and aging pipes bursting.

The Operations Division's main duty is to supply ample quality water throughout the Pittsburgh service area. Other duties include satisfying customer's needs and concerns, providing timely response to water and wastewater services and regulations requests. This division consists of four departments: Treatment Process, Water Distribution, Water Quality and Sewer Conveyance. These departments are responsible for treating, analyzing, storing and delivering over 70 million gallons of water on a daily basis, along with maintaining and repairing over 1,000 miles of water lines and 1,200 miles of sewer lines 24-hours a day.

Water Treatment Process

The Treatment Process workforce is responsible for converting the Allegheny River waters into pure, clean drinking water 24 hours a day. PWSA's main treatment plant is located on the Allegheny River near Aspinwall. River water is solely used, without the use of ground or well water. This plant treats an average of 70 million gallons of water daily and is capable of treating a maximum of 100 million gallons daily. The treatment process takes three days or 72 hours to complete. There are three steps to this purification process: Clarification, Filtration and Disinfection. The entire process takes three days.

Clarification is the process by which silts and clays are removed from river water and the water Ph is adjusted with lime. Coagulant chemicals such as ferric chloride are added to the water to form clumped particles called "floc". Floc particles settle to the bottom of the holding basin and are removed. The Filtration process sends the water through coal, sand and gravel filters to remove remaining suspended particles, unsettled floc, finer particles and some microorganisms. Disinfection occurs with the addition of pre-chlorine to remove any remaining harmful microorganisms. Activated carbon is added to improve waste taste and fluoride is added as a tooth cavity preventative.

A second treatment plant is operated in PWSA's Highland Reservoir #1 facility. Because this is an open-air reservoir, the water is retreated through membrane filters before it is distributed to the public. This is a state of the art microfiltration and chlorination system that

removes impurities that may have entered the water while in open storage. This is the only state of the art microfiltration and chlorination system in the system.

The Authority has two other main reservoirs in Highland Park (Highland #2) and North Side (Lampher), two smaller reservoirs in Herron Hill and North Side, 10 storage tanks, 11 pumping stations and 9 chlorine booster stations in the water distribution system.

PWSA operates under three levels of regulation: The Allegheny County Health Department, Pennsylvania Department of Environmental Protection (PADEP) and the US Environmental Protection Agency (EPA). The federal government determines the standards for safe drinking water through the Safe Drinking Water Act where 94 different contaminants are regulated. Water Quality staff is responsible for sampling, testing, analyzing and reporting on water quality numerous times per day, 365 days a year. Chemical adjustments are made accordingly.

Electronic Water Meter Reading

In 1999, PWSA began installing a state-of-the-art fixed based electronic meter reading system to provide ongoing water usage readings. An electronic device called a MIU and is placed outside the home or building and is connected via a hard wire to the water meter inside. This MIU sends daily meter readings to a third party collector. Monthly reports of all meter readings are forwarded to PWSA via this fixed based network. The system operates through wireless receivers that collect meter readings from the MIU units on a daily basis. Exception reports are generated for all failed devices and work orders are initiated to repair the unit. Some accounts can not be read electronically due to malfunctioning devices. Sometimes the property is inaccessible to make the proper repairs. An estimated bill is sent when the MIU unit fails to gather the data.

For various reasons, not all accounts received automatic meters at the time of the initial installations. According to the Executive Director, when he was hired in 2008 approximately 8,500 accounts were without electronic devices and required in-house meter readings. As of January 31, 2010, 2,238 accounts were still without electronic meter devices. PWSA is currently evaluating these accounts to determine if these properties are occupied, vacant or razed.

This automatic meter reading system allows PWSA to inform customers when abnormal consumption occurs before it shows up as a charge on their water bill. For example, the system would flag excessive consumption due to a water leak, running toilet or other reason. PWSA would alert the customer by sending a high consumption letter.

Budget

In 2009 PWSA had \$134,175,000 in Operating Revenues. Operating Expenses totaled \$105,607,000 dollars leaving \$28,568,000 of operating income. Additional revenues are

\$248,000 in Federal grants, \$14,819,000 in donated property, and \$690,000 in interest. This leaves a surplus over operating costs of \$44,325,000.

Paid from the surplus operating costs is “interest expense and other” for \$39,766,000. This leaves a net gain of \$4,559,000.

“Interest expense and other” for 2008 was \$30,717,000. The 2009 “interest expense and other” of \$39,766,000 represents a 29.5% increase over 2008.

Future Planning

According to the Executive Director, the Authority plans infrastructure improvements through bond financing. PWSA currently has a capital improvement program in place for the next 4 years through the 2008 financing. The Engineering department is currently working on an RFP to solicit firms to develop a long range plan for the Authority.

OBJECTIVES

1. To assess PWSA's award process for Construction contracts.
2. To assess the Authority's bidding and selection procedures for Professional Service contracts.
3. To assess compliance with statutory and contractual procurement requirements.
4. To assess PWSA policies and procedures for delinquent accounts.
5. To assess PWSA policies and procedures for granting exonerations.
6. To assess PWSA water treatment and testing procedures compliance with best practices.
7. To make recommendations for improvement.

SCOPE

The audit scope is limited to all construction and procurement contracts awarded between January 1, 2008 and September 21, 2009, and professional service contracts awarded between January 1, 2008 and December 31, 2009; January through June 2009 exoneration requests, 2009 delinquent accounts and current water treatment procedures.

METHODOLOGY

The auditors met with the PWSA Executive Director to discuss Authority organization, policies and procedures. Subsequent to that meeting, the following information was requested and reviewed:

1. Procedures for awarding Professional Services contracts adopted in April 2009;
2. Procedures for awarding Professional Services contracts prior to April 2009, if available;
3. PWSA organizational chart;
4. PWSA employee handbook ;
5. Negotiated settlement with Iron City Brewing Company;
6. Policies and procedures for delinquencies;
7. Policies and procedures for exonerations;
8. Lease with Buncher Company for 1200 Penn Avenue ;
9. Contract or Agreement with Jordan Tax Service;
10. List of all construction and professional services contracts awarded between January 1, 2008 and September 21, 2009.

The auditors requested a list of all Construction and Professional Services contracts awarded between January 1, 2008 and September 21, 2009. The auditors received a list of Operating Contracts and Capital Contract Awards. The auditors selected a 50% sample (43 contracts) for testing and requested access to these contracts files. PWSA provided copies of the requested files, of which 20 were titled "Procurement" and 23 were titled "Operations". Operations include construction contracts. A second request was made for a list of all Professional Services contracts awarded in the same time frame.

In response, the auditors received a list of 11 PWSA Board resolutions for awarding Professional Service Agreements. Seven resolutions approved extensions or renewals of existing contracts, one resolution amended an existing contract and three resolutions approved new contracts. Because these three contracts were awarded prior to the effective date of PWSA policies and procedures, the testing period was extended to December 31, 2009. The auditors received Board resolutions for four more Professional Services contracts. The Utility Line Security contract, despite being awarded in 2009, was missing from the list. The auditors requested this contract specifically and then added this contract to the testing sample.

After April 2009, PWSA awarding of Professional Service Contracts were to follow a formalized process. The Auditors requested the documentation associated with the process of awarding these Professional Services contracts, such as phone quotes and proposal evaluations.

The auditors tested compliance with statutory requirements and internal award procedures for Operations, Procurement and Professional Services contracts. Documentation consistency in the Operations and Procurement contract files was assessed. A checklist was created to document compliance with award procedures and contract consistency.

Documents reviewed include an audit of Jordan Tax Service by the Allegheny County Controller.

To test customer accessibility, the auditors conducted a phone survey to PWSA's Customer Service Center.

The Director of Water Quality and Production was interviewed on March 12, 2010. PWSA's water treatment process, regulatory compliance and water distribution system was explained. The internet research was conducted on municipal water treatment systems and Marcellus Shale drilling water quality issues.

FINDINGS AND RECOMMENDATIONS

Compliance with Statutory Procurement Requirements

Construction Contracts

As an authority created under the Municipality Authorities Act, 53 Pa. C.S. §5601, *et seq.*, PWSA is subject to Act section 5614, Competition in Award of Contracts. Section 5614 applies to all construction, reconstruction; repair or work whose labor and materials cost exceeds \$10,000.

Contracts must “be entered into by the Authority with the lowest responsible bidder, upon proper terms, after public notice asking for competitive bids as provided in this section”.

Professional Services Contracts

The Municipality Authorities Act has no requirements for professional services contracts. However, for certain purposes, authorities are considered to be independent agencies of the Commonwealth. As such, authorities may be subject to the competitive selection procedures for professional service contracts applicable to all State agencies, departments, bureaus and other divisions. The controlling statute is 62 Pa. Cons. Stat. §518.

The only statutory requirement for awarding professional service contracts is that the “award shall be made to the responsible offeror determined in writing by the contracting officer to be best qualified based on the evaluation factors set forth in the request for proposals”. The fee for such services must be “fair and reasonable compensation...determined through negotiation”.

PWSA Policies and Procedures

In April 2009, a draft proposal for Policies and Procedures for Professional or Personal Services Contracts (PPPPSC) was presented to the PWSA board.

Finding: Although the PWSA board has not yet formally approved the PPPPSC, the new policies have been in use since April 2009.

RECOMMENDATION NO. 1:

The PWSA Board should formally adopt the new Policies and Procedures for Professional or Personal Services Contracts (PPPPSC) that are being used throughout the Authority.

Prior to April, 2009, there was no written policy. According to the PWSA Director of Engineering, a Miscellaneous Services Professional Agreement for engineering services was awarded after evaluation of proposals.

Procedures for awarding professional services contracts vary according to the estimated cost of the service.

Phone Quotes under \$10,000

An oral phone quote is requested from a vendor. The PPPPSC states that a qualified firm can be chosen from PWSA's Register of Firms. The Register of Qualified Firms is a list of firms that have expressed a desire to provide professional or personal services in specific PWSA departments. Firms are qualified after Authority review of their area of expertise, experience, present activities and financial qualifications.

Phone Quotes Between \$10,000 and \$25,000

Phone quotes are obtained from three vendors and awarded to the lowest bid. These firms can be chosen from the Register of Firms but do not have to be taken from the register.

Contracts that Exceed \$25,000

Finding: The term RFP is used inaccurately throughout this section.

The Authority is confusing a request for proposal with a proposal. Article 6, "Solicitation of Request for Proposal" states that an "R.F.P. will be solicited to determine the firms which are interested in and capable of performing, etc.". A Request for Proposal is just that: a request for a firm to submit a proposal. The Authority should be asking for proposals from qualified firms, not requests for proposals.

RECOMMENDATION NO. 2:

The Pittsburgh Water and Sewer Authority's Policies and Procedures for Professional and Personal Services Contracts should be revised with proper RFP and proposal terminology.

Improper terminology notwithstanding, the procedure involves soliciting proposals from interested firms via an RFP. The RFP is advertised in newspapers, professional journals and the PWSA internet and sometimes sent directly to selected firms from the "Register of Firms".

According to the Procedures, "A Selection Committee, headed by an appointee of the Executive Director, shall evaluate each responding firm and may select (3) three firms deemed most qualified from those indicating interest (except where less than (3) are available)".

Prior to selection, all or some firms may be interviewed by the Committee. The selected firms shall be listed in descending order of preference. The Executive Director or designee shall maintain a copy of the evaluations.

Qualified city firms are given priority consideration. Minority Based Enterprise and Women Based Enterprise firms shall be given consideration for planning, engineering, design and construction related service contracts.

The Selection Committee and selected firm will negotiate scope of work and other contract issues including costs. Records of negotiations will be maintained by the Authority.

Finding: As written, PWSA's Policies and Procedures for Professional or Personal Services Contracts comply with the Code. There is provision for negotiating Professional Services fees. The Selection Committee written evaluations could satisfy the requirement for putting in writing why the recommended firm was determined to be best qualified.

A copy of the advertisement and the proposals submitted by the selected firm and the first and second alternated firms shall be maintained by the Authority.

Compliance with Statutory and Authority Procurement Requirements

To test compliance with statutory and internal award requirements, the auditors requested a list of all construction and professional services awarded between January 1, 2008 and September 21, 2009. PWSA provided a list of 41 Operating Contracts and 46 Capital Contract Awards. Operating contracts are procurement contracts for goods and services; capital contracts are construction contracts. The auditors selected a 50% testing sample (43 contracts) from the contract list. Assuming the contract files would contain information relevant to the awarding of the contract, the auditors requested access to the files for the 43 contracts in the testing sample.

The auditors again requested a list of all professional services contracts awarded during the audit scope period. In response, PWSA sent a list of 11 board resolutions. Seven resolutions

extended existing professional services contracts, one resolution amended an existing contract and 3 resolutions approved new contracts. The auditors requested award backup documentation for the 3 awarded contracts. All three contracts were awarded before PWSA's new award procedures were in effect. One of the three was not a contract but an agreement to purchase natural gas from a provider obtained through an existing inter-governmental agreement. This left two contracts in the testing sample.

To test compliance with the new award procedures, the auditors extended the audit scope and requested all professional services contracts awarded in 2009. The auditors received Board resolutions for five Professional Services contracts.

Construction and Procurement Contract Award Compliance

The auditors received bound copies of the 43 contracts in the sample. These bound copies included the signed contract, back up documentation, spec sheets, MBE and WBE contracts, etc. The dollar value of 20 contracts audited was \$22,803,200.00. Twenty three contracts in the testing sample were awarded on a per item basis and are not included in this total dollar amount.

When a supplier bids a list of items, some items within the bid might be lower than other bidders. PWSA picks the lowest price item from all the bidders resulting in more than one contractor being awarded the bid. This per item contract award selection expanded the total sample size to 52 contracts.

The auditors inspected each contract file for consistency of documentation and statutory compliance.

Finding: Contract file documentation indicates that PWSA operating (procurement) contracts and capital (construction) contract awards comply with statutory requirements for advertising and for awarding the contract to the lowest responsible bidder.

Finding: Proof of advertising was found in 98% of the contract files. Documentation supporting award to the lowest responsible bidder was found 80% of the contract files.

TABLE 1

STATUTORY PROCUREMENT COMPLIANCE OPERATING AND CAPITAL CONTRACTS							
STATUTORY PROCUREMENT REQUIREMENTS	# YES	# NO	COULD NOT TELL	# ONLY ONE BIDDER	PERCENT YES (%)	PERCENT NO (%)	PERCENT ONLY ONE BIDDER (%)
Copy Of Advertisement.	51	1	0	0	98.08%	1.92%	0.00%
Lowest Responsible Bidder	42	1	1	8	80.77%	1.92%	15.38%

Finding: One of the contract files (1.92%) did not include information on other bids received. Only information on the awardee was in file. Auditors could not determine if the awarded bidder was the lowest responsible bidder.

Finding: Other files would note that 5 bids were received, but there was only documentation about 3 or 4 of the bidders.

RECOMMENDATION NO. 3:

A checklist of all items required to document the contract bid and award process should be attached to the front of the file. Then as documents are placed in the file, the item can be checked off. If an item is not checked off it must be found and put in the file. Pertinent information includes # bids sent, # bids received, bid amounts, and which bidder was awarded the bid.

RECOMMENDATION NO. 4:

A copy of all bids received should be kept in the contract file.

Finding: One contract was not awarded to the lowest bidder and there was no explanation found in the file.

RECOMMENDATION NO. 5:

If the lowest bidder has not been awarded the contract, there must be an explanation in the file as to why the lowest bidder was not selected. Without an explanation the Authority may be leaving itself open to a lawsuit.

Finding: Eight or 15.38% of the contract files only had one bidder. While technically this meets the standard of taking the lowest bidder, it does not always ensure that the Authority is getting the best price possible.

RECOMMENDATION NO. 6:

The Authority should follow-up with potential bidders to find out why a bid was not submitted. Attempts should be made to ensure that more than one bidder responds.

Construction and Procurement File Document Consistency

Contract files should contain all documents relevant to the awarding of the contract. Contracts should be signed and dated by both parties. Other requirements for the awardee to secure the job, such as bid bonds, references, WBE and MBE information etc. should be completed correctly and kept in the file.

The auditors reviewed all 52 contracts for consistency of documentation within the contract file. Table 2 shows the results.

Finding: Results show that while the vast majority of contracts are signed and dated correctly, some do slip by without proper signatures.

TABLE 2

OPERATIONS AND PROCUREMENT CONTRACT FILE PAPERWORK CONSISTENCY				
FILE COMPONENT	TOTAL FOUND	TOTAL NOT FOUND	PERCENT FOUND (%)	PERCENT NOT FOUND (%)
Company's Signature	50	2	96.15%	3.85%
Company Signature Dated	52	0	100.00%	0.00%
PWSA Signature	50	2	96.15%	3.85%
PWSA Date	49	3	94.23%	5.77%
Signature of Secretary-Treasury and Dated	6	46	11.54%	88.46%
Signature of PWSA Solicitor	49	3	94.23%	5.77%
Bid and Performance Bond Signed And Dated	51	1	98.08%	1.92%
Statement of Insurance Company's Power Of Attorney	48	4	92.31%	7.69%
Affirmative Action Certificate/Plan/Provisions, Signed and Dated	52	0	100.00%	0.00%
PWSA Spec and Bid Sheet	32	20	61.54%	38.46%
Minority (MBE) & Female (WBE) Owned Business. Solicitation and Commitment Statement	50	2	96.15%	3.85%
Company References (Need 3)	11	41	21.15%	78.85%
Statement of Affiliation	15	37	28.85%	71.15%
Information To Bidders	51	1	98.08%	1.92%
Taxpayer ID Number	34	18	65.38%	34.62%
Articles of Agreement Signed and Dated	51	1	98.08%	1.92%

Finding: Overall, document consistency throughout the files was good with 11 of the 16 file components selected by the auditors being in the file over 92% of the time.

Finding: The worst areas where documents or signatures were missing are: (from worst to best) Signature of Secretary-Treasury and Dated was not signed 88.46% of the time; Company References (Need 3) missing 78.85% of the time; Statement of Affiliation missing 71.15% of the time; PWSA Spec and Bid Sheet missing 38.46% of the time; and Taxpayer ID Number missing 34.62% of the time.

RECOMMENDATION NO. 7:

A checklist as previously recommended above would help ensure all documents are placed in the file. Missing or 'signed in the wrong place' signatures should be double checked before the contract is completed.

Professional Services Contract Award Compliance

Contract Documents

Finding: Professional Services contract documentation is not kept in a central location. The contracts are kept in a central file but all award documentation is kept by managers that oversee the contracts.

RECOMMENDATION NO. 8:

PWSA should maintain all relevant contract documentation in a central location. Having relevant contract documentation in one location would allow quicker access to needed documents and facilitate internal and external audit process.

Contracts Awarded Prior to April 2009

Finding: Prior to April 2009, PWSA had no formal or written policies and procedures for awarding professional services contracts. Contract award procedures appear to have been at the discretion of each PWSA department.

According to an e-mail from PWSA Director of Engineering, a Miscellaneous Services Professional Agreement for engineering services was awarded after evaluation of proposals. This criterion (evaluation of proposals) was applied to the 2 contracts in testing sample that were awarded prior to April 2009. The auditors also looked for documentation explaining why the contract was awarded to the vendor after evaluation of proposals. This criterion would satisfy the statutory requirement that the awardee "was determined in writing by the contracting officer to be best qualified based on the evaluation factors set forth in the request for proposals".

Finding: PWSA did not provide proposal evaluation documentation for the 2 contracts awarded before April 2009. The auditors were told via a memo from the Executive Director that one vendor "was selected on price and qualifications". A memo from another PWSA administrator indicated that the lower of two bidders was awarded the contract.

Finding: Lowest price appears to have been a major factor in the awarding of professional service contracts prior to the adoption of formal policies and procedures.

Contract 1

A memo to the auditors from a PWSA official indicated that a Request for Quote was sent to four pre-qualified bidders. PWSA provided a copy of the Request for Quote and copies of the responses from the awarded bidder and another vendor. The lowest bidder was awarded the contract.

Contract 2

PWSA provided the auditors with a copy of the Request for Qualifications issued for this contract and the awarded vendor's Statement of Qualifications (SOQ). The SOQ included the firm's qualifications, technical approach to the project at issue, related technical experience and anticipated compensation.

A list of ten firms was included. A memo from the Executive Director stated that the ten firms on the list were sent an RFQ. The memo lists the names of four firms that submitted the SOQs and stated that price quotes were solicited from the awarded vendor and another firm. Price quotes from the two firms were listed. The price quotes indicate that the awarded vendor was the low bidder.

Contracts Awarded After April 2009

Six contracts awarded during our audit scope were awarded after the Authority adopted Policies and Procedures for Professional or Personal Services Contracts. To assess compliance with these procedures, the auditors requested the back up documentation used to award the contracts.

Contracts Under \$10,000

One contract for electrical engineering design and drafting was valued at \$9,900. The procedure for awarding contracts valued at \$10,000 or less is to obtain a phone quote from a qualified vendor. PWSA produced a written proposal from the awarded vendor that included a project scope of services and a not-to-exceed price. A Board resolution authorizing the agreement because the consultant "possesses such expertise and skill" was also produced.

Finding: The written proposal submitted by the vendor more than complies with the Authority's requirement to obtain a phone quote.

Finding: No documentation was provided to support that the consultant "possesses such expertise and skill" to do the job.

Contracts Between \$10,000 and \$25,000

The Authority produced Board resolutions authorizing two contract awards to the same vendor for filter workstation upgrades needed at two different locations. Value of the contracts was \$18,000 and \$20,000. The procedure for awarding contracts in this range is to obtain phone quotes from three firms. The selected firm is to send a follow-up fax or e-mail with the quoted bid to the project manager.

Finding: A Board resolution stating that the vendor “has been determined to be the lowest responsible and qualified bidder” was the only documentation produced by PWSA. No e-mail or fax confirming the winning bid was sent.

Finding: The auditors had to request the value of the contracts from PWSA.

Contracts That Exceed \$25,000

The value of the other three contracts exceeded \$25,000. For this type of contract, PWSA procedures require the Authority’s Evaluation Committee to evaluate proposals and compile a list that ranks the firms in descending order of preference. The Executive Director is required to keep copies of the evaluations. Professional services fees and other contract terms are to be negotiated with the selected firm and a record of the negotiations is to be maintained.

One contract was ‘piggybacked’ onto an existing Fox Chapel Water Authority contract and was eliminated from the testing sample. This vendor provides a web based high speed communications system for delivering emergency notifications to authority customers about water quality problems.

Finding: PWSA does not appear to be complying with its professional services award policies and procedures. The Authority did not provide documentation of proposal evaluations or fee/contract scope negotiations for the remaining two professional services contracts in the testing sample.

Finding: Authority Board resolutions authorizing professional service agreements comply with the statutory requirement for explaining in writing why the recommended firm was determined to be best qualified.

Contract A

This contract for Automated Meter Reading Services is titled an “Amendment to Contract”. The contract appears to have been amended after the Authority evaluated proposals from other meter readers.

Finding: A Board resolution states that the contract was amended after “a thorough process to identify and evaluate automated meter reading service providers and solicit proposals”. The Authority did not provide any supporting documentation confirming that proposals had been evaluated for this contract.

The contract was amended by replacing the name of the original or ‘predecessor’ vendor with the name of its successor, changing contract terms and extending the term of the agreement.

Finding: The amended contract references the sections to be deleted in the original contract but does not indicate the substance of what has been deleted. Only the text of the amended sections is included in the amended agreement.

RECOMMENDATION NO. 9:

Contract amendments should contain the full text of the deleted contract sections as well as the replacement language.

The effective date of the original contract was September 1, 1999. The 2009 amendment extended the term twenty five years from the year of amendment to August 31, 2024. The Pricing, MIU and MIU Battery Maintenance, Maintenance of System and MIU Battery Replacement sections have been changed. One section in the original contract was deleted entirely and replaced with a new section titled MIU and MIU Battery Replacement and MIU and MIU Battery Installation Warranty.

Finding: The amendments appear so substantial that the amended contract is really a new contract.

RECOMMENDATION NO. 10:

Contracts are routinely amended. However, if the amendments significantly modify or change the terms and duration of the original contract, a better practice is to draft a new contract and state that the new contract supersedes and terminates the old contract.

Contract B

This contract for warranty line services was awarded July 31, 2009 and amended December 30, 2009. PWSA produced copies of an invitation to bidders advertisement placed in a local newspaper, the RFP and proposals from two firms. Proposals were due no later than 11:00 a.m. July 17, 2009. The Authority received proposals from Linebackers, Inc. the former service line warranty provider and Utility Line Services (ULS).

Finding: Both proposals were date stamped July 17, 2009, but not time stamped. The ULS proposal was not signed or dated by the bidder. ULS was awarded the contract.

Finding: The auditors did not receive documentation of proposal evaluations by the Evaluation Committee or documentation of fee and contract scope negotiations with the selected bidder, ULS.

Finding: A letter dated August 4, 2009 from Linebackers suggests fee negotiations had been conducted with them. Linebackers increased the amount of proposed reimbursement to PWSA from its original proposal of July 15, 2009 but the contract already had been awarded to ULS.

A Board resolution dated July 31, 2009 authorized an agreement with ULS because the company “possesses such expertise”.

RECOMMENDATION NO. 11:

PWSA should maintain documentation that demonstrates compliance with its policies and procedures for awarding professional service contracts and agreements.

Utility Line Security (ULS) Contract

An ongoing controversy surrounds the awarding of the ULS contract and its subsequent amendments. At issue is why the contract was awarded as a standard “opt-in” program and then changed three months later to an “opt-out” program.

A memo from PWSA Executive Director to the auditors states “ULS was selected on price, marketing approach and payment for services to PWSA”. The original ULS warranty program, effective September 1, 2009, offered PWSA residential customers water, sewer and gas line repair/replacement services for varying monthly fees. Participation was voluntary; customers could sign up or “opt-in” to the program. PWSA would be paid an annual rebate of \$7.00 for each warranty line service.

On December 11, 2009 the PWSA Board amended its July 31 resolution to allow ULS to convert its warranty services to an opt-out program. Effective January 1, 2010, all residential customers would be enrolled in the program unless they “opted out” of it.

In conversation with an auditor, the owner of Linebackers, Inc. claimed that marketing is the greatest expense to any company offering this type of program and eliminating that cost is a great savings to any company.

Finding: The amended contract gives ULS an 110,000 customer base free of advertising costs or any other effort on the company's part. This customer base includes PA American Water users.

Finding: The opt-out program benefits customers with a lower monthly fee and no dollar limit on repair cost. For \$5.00 a month, ULS will repair or replace the water and/or sewer line from a house foundation to the curb box. Gas line coverage can be added for \$3.50 more a month.

Finding: The amended ULS contract also revokes the rebate schedule agreed to in the original contract: "No rebates will be paid for any customers enrolled in the program". Instead, ULS now guarantees "the separation of identified sanitary and storm sewers" services for participating customers up to \$1,000,000 a year.

Pending Litigation

Finding: Amending the initial contract from a standard opt-in program to an opt-out program has resulted in two lawsuits filed against the PWSA. Allegations include unfair business practices, violation of the State Constitution, competitive bidding rules, rules regarding competition with private providers and conflict of interest.

Coverage Clarification

The ULS brochure includes a list of services not covered. Included in this list is "Any dwellings that are not currently occupied due to construction, rehabilitation or renovation, including dwellings that do not possess a current Certificate of Occupancy".

Finding: ULS brochure is not clear but it sounds like the policy will not cover buildings that do not possess a current Certificate of Occupancy

Many buildings in Pittsburgh do not have a Certificate of Occupancy. It is doubtful if most homeowners know if they have a Certificate of Occupancy or not.

Finding: A required Certificate of Occupancy could disqualify many homes and after paying years of ULS payments the homeowner problems could be disqualified.

RECOMMENDATION NO. 12:

PWSA must have ULS eliminate this Certificate of Occupancy requirement or clarify its meaning. This clause is found in the fine print of items not covered and potentially disqualifies people who have paid for years.

The “opt-out” option started in January 2010 and a customer has until July 1, 2010 to “opt-out” of the program to get a full refund. After July, customer may cancel at any time but past money will not be refunded. If a customer “ops-out” and then wants to rejoin, a 30 day waiting period is required. This plan is enforced as long as payment is current. Coverage is for 24 hours a day, 7 days a week.

Finding: PWSA’s water bill does not remind customers that a current payment is needed for the policy to be in effect.

RECOMMENDATION NO. 13:

Though originally written in the ULS brochure, customers need to be reminded to keep current on the payments or this line protection coverage will be terminated.

Finding: PWSA does not eliminate the \$5.00 charge if a bill is not paid on time. If a customer does pay the bill is the coverage still in effect?

RECOMMENDATION NO. 14:

PWSA should clarify whether a late or missed monthly payment negates the coverage.

Line Warranty Plan Comparison

The auditors compared what ULS is offering to line warranty plans offered by another company. Dominion offers customers and non customers a Sewer Line Repair Program for \$4.75 a month that is “easily included on your electric bill”. Dominion’s coverage is for sewer or septic line repair and “does not cover replacement of entire sewer or septic lines”. Coverage is limited to \$7,500 per occurrence. Coverage is for 24 hours a day, 7 days a week. Dominion also offers gas line and water line repairs for various amounts a month. Table 3 shows a comparison of costs for the two plans.

TABLE 3

COMPARISON OF LINE REPAIR PLANS		
	ULS	DOMINION
Water Line Repair	\$5.00 a month	125 feet or less \$ 3.25 a month, 126 feet to 400 feet \$5.00 a month and 401 feet to 500 feet \$6.50 a month.
Sewer Line Repair	Included above	\$4.75 a month
Gas Line Repair	\$3.50 a month	\$3.75 a month
Coverage limit	Unlimited Line Repair or Replacement	\$7,500 per occurrence Line Repair only
Availability	24 hours a day, 7 days a week	24 hours a day, 7 days a week
Sign Up	Automatic	Must Order
Payment	Water Bill	Utility Bill
Home Issues	Certificate of Occupancy	None

Finding: The ULS plan appears to provide more coverage for less money than Dominion’s plan.

Amended ULS Contract Benefit to PWSA

Dye tests are required for home sellers in areas where sanitation and rain water flow into separate sewer lines. The test is needed to make sure that rain water is going into the storm system. If rainwater is flowing illegally into the sanitary sewers, the storm water must be redirected into a storm sewer before the house can be sold. In addition, an agreement with federal and state agencies requires PWSA to replace old combined main sewers with separate sewer lines when the main sewer lines needs replaced. Property owners must also separate their sewer lines into the new mains. These separation services are covered for ULS customers.

Finding: The trade off for revoking the rebate payment to PWSA is sewer separation coverage to participating customers who sell their homes and other customers who must separate their sewer lines into the appropriate sewer main. The contract covers up to “\$50,000 per year for every 5,000 customers enrolled in the program” up to \$1,000,000 per year.

The Authority’s Executive Director stated that these separation services were also in exchange for PWSA providing billing services.

Finding: No where in ULS’s brochure or on PWSA’s bill or website is the customer informed of this additional coverage.

Finding: PWSA’s map indicates that that the vast majority of City residents will not require dye testing when their house is sold.

RECOMMENDATION NO. 15:

If required sewer line separations are part of the \$5.00 a month cost then customers should be informed of this benefit. This information might help the customer decide whether or not to keep the coverage.

Finding: The amended contract is of significant benefit to the provider. With 110,000 customers billed \$5.00 per month, PWSA is guaranteeing ULS an income of \$550,000 a month or \$6,600,000 a year unless customers opt-out. Even at 75% participation, the number of customers participating is 82,500 yielding a monthly income of \$412,500 or \$4,950,000 a year.

According to the Executive Director, initial expectations' were for 50 to 75% participation. To date only 15,000 patrons have opted out. This may increase as the June 30, 2010 date approaches. This is the date that customers can still "opt out" and receive the full 6 month credit.

RECOMMENDATION NO. 16:

With an annual cash stream close to 4 or 5 million dollars a year, PWSA should investigate offering this program in-house. The Authority already owns much of the equipment needed for these line repair jobs. PWSA should maintain a list of 'pre-qualified' contractors to engage as needed.

DELINQUENCIES AND EXONERATIONS

Delinquencies

Residential and Commercial Accounts

The Pittsburgh Water and Sewer Authority collects fees for water usage and sewer treatment charges. Sewer treatment charges are collected to reimburse PWSA for its payments to the Allegheny County Sanitary Authority (ALCOSAN).

Finding: According to the Executive Director, an agreement with ALCOSAN makes PWSA responsible for all customer sewer charges. PWSA must pay ALCOSAN regardless of how much fees it collects from customers.

PWSA's collection policy for delinquent accounts is found on the Authority's website. Any customer more than 30 days in arrears on a current bill is considered delinquent and subject to penalty and interest assessments. Any account with quarterly charges more than 30 days past

due will be sent a past Due Notice. Delinquent accounts may be liened against the property owner. Customers with arrearages of 60 days or more may have water service terminated unless payment arrangements have been made.

Finding: Once water service is terminated, all arrearages must be paid in full before water can be turned on. No payment plan will be accepted.

RECOMMENDATION NO. 17:

Given the current economic downswing, the Authority should explore alternate payment options for restoring water service. For example, a lump sum payment with a payment plan could be offered in lieu of requiring payment of all arrearages.

Account classification determines the type of notice given for pending termination. Residential Building (owner occupied or tenant ratepayer) is given 10-day notice via Certified mail. Residential Building (landlord ratepayer) is given 37-day notice via Certified Mail.

Government Accounts

Finding: Government accounts have varying time periods to pay after due date without penalty.

According to the PWSA website, “With respect to the following public bodies, the time periods for payment of water rates and sewer charges, after due date, without penalty and interest, shall be as follows:

United States - 120 days
Commonwealth of Pennsylvania And City of Pittsburgh - 90 days
Housing Authority of the City of Pittsburgh - 60 days
Urban Redevelopment Authority of Pittsburgh - 60 days
County of Allegheny - 30 days”.

Collection Services

Since September 2008, the Authority has contracted with Jordan Tax Service to pursue delinquent claims. All accounts more than 90 days delinquent are turned over to Jordan Tax Service.

County Controller Audit

On December 21, 2007, the Allegheny County Controller released a Limited Contract Compliance Review of Jordan Tax Service, Inc. Among the findings was a concern that the County's contract with Jordan favored payment of the collection agents as opposed to collection of the amount owed to the County.

The auditors noted that the actual collection of taxes has the highest risk of non-collection in the current distribution of collections "With 25% of the collections representing a charge for legal services in addition to taxes, penalty and interest, the charges appear excessive relative to the actual taxes owed to the county".

It was recommended that the parties review current collection procedures and the applicable County ordinance to determine whether there can be a more equitable distribution of payments.

PWSA Collection Services Contract

The Resolution authorizing an agreement with Jordan Tax Service and the law firm of Goehring Rutter & Boehm for collection of Delinquent Claims was made on the belief it would "enable the PWSA to efficiently collect its Delinquent Claims".

Finding: The PWSA contract with Jordan Tax Service prioritizes payment to the Special Legal Counsel and to Jordan Tax Service when partial payments are made.

As Collector, Jordan adds all Record Costs, Lien Costs, Servicing Expenses, Postage Expenses, Out-of-Pocket Expenses and Attorney Fees to each Delinquent Claim and collects these amounts, together with the Face Amount (original delinquent claim), Penalty and Interest from the delinquent payer. (Servicing Expenses include a percentage of the gross collection, i.e., a commission.)

If the full amount is paid, everyone gets paid. If less than full payment or installment payments are made, payments are made in the following order: Special Legal Counsel Out of Pocket Expenses and Attorney Fees, Jordan Tax Out-of-Pocket Expenses, Servicing Expenses* and Postage Expenses, Record Costs and Third Party Expenses, then the Delinquent Claim (PWSA). Penalty, interest, lien costs and the face amount (original delinquent claim amount) are paid in that order.

RECOMMENDATION NO. 18:

The PWSA should study the cost effectiveness of its contract with Jordan Tax Service regarding partial payments on delinquent accounts. The PWSA should determine if the legal fees and servicing expenses are excessive relative to the amount of the delinquent claim and to the amount paid to PWSA.

RECOMMENDATION NO. 19:

PWSA should compare the delinquent account collection rate pre and post Jordan to determine if collections have improved since engaging a third party collector.

Jordan's Responsiveness to Delinquent Payer

Jordan demands that payments be made in cash or money order to stop shutoffs. A receipt is given at that time.

Finding: An auditor requested a copy of a delinquent account payment history three times. Each time Jordan sent something other than the requested information.

RECOMMENDATION NO. 20:

Jordan should have and make available when requested, the payment history of any delinquent account.

Iron City Beer Case: An Unsettled Settlement Agreement

Finding: Delinquent account policy is not written in stone.

The Authority's 2007 delinquent account arrangement with Iron City Beer that occurred prior to our audit scope is an interesting deviation from standard delinquent account collection policy. The brewery did not have to pay the full \$2.7 million owed PWSA. The brewery filed for bankruptcy and an agreement with PWSA was incorporated into the 2007 Court Order.

PWSA reduced Iron city's \$2.7 million water and sewer debt to \$1,500,000 and agreed to write off an additional \$1 million if certain conditions were met. Basically, the brewery had to make \$4 million capital improvements, continue brewery operations and timely pay current water and sewer charges and local taxes.

In 2009, Iron City violated its debt forgiveness agreement with the PWSA by closing down the Pittsburgh facility and moving brewing operations to Latrobe PA. Amidst a dispute with the brewery about how much is still owed, the Authority is trying to recoup the full \$1.5 million.

When asked about the generous debt reduction and forgiveness agreement, the Executive Director noted that the agreement was made before his tenure. However, the purpose of the agreement was to help the brewery remain viable and retain its 300 jobs.

Exonerations

For PWSA purposes, an exoneration is a re-computation of water charges and an amnesty or forgiveness on the excess amount. The Authority website states that “exonerations for water rates may be recommended by the City Water Exoneration Board on account of vacancy, non-use of water, or other causes, as hereinafter provided”. Other listed causes include underground leaks and errors in calculation. All requests must be made to the Exoneration Board in writing within (3) months of the assessment for which exoneration is sought.

The auditors requested all exoneration data from 2009 and determined the most frequent reasons for exonerations to be months of estimated readings. Months of estimated readings are considered an error on the part of The Water and Sewer Authority.

Finding: Though estimated readings are considered an error by PWSA, exonerations are not automatic and the customer must write the PWSA and request an exoneration hearing.

Finding: PWSA’s billing to the customer does not clearly inform that a bill is an ESTIMATE and not an ACTUAL reading. An ESTIMATE bill requires the customer to contact PWSA so an ACTUAL reading can be performed.

RECOMMENDATION NO. 21:

PWSA needs to improve communications to customers that their bill is an ESTIMATE reading and not an ACTUAL reading. They should place an asterisk (*) next to where the word “EST” (representing an “ESTIMATE READING”) is on the customer’s bill that corresponds to an explanation in bold and capital letters right under the TOTAL AMOUNT DUE on the bill.

2009 Six Month Sample Data of Exonerations

The 2009 data showed that each month of exonerations had three lists with different titles. The first title is “Adjustment to Invoices with Twelve Months or More of Consecutive Estimated Readings”; the second is “Water Exoneration Board Hearing”; and the third “Water Exoneration Board Hearing – Non Appearance”. All the lists had the same date as the exoneration hearing for that month.

The Director was asked what the difference was in the first two titles of information (since the third is self explanatory). The Director wrote the following explanation about exonerations.

The board policy for providing credit to customers for accounts not read for 12 months is 50% reduction for residential and 25% for commercial accounts. An additional 10% reduction for each additional year not read. Example would be if a customer was not read for 5 years a credit of 50% for the first 12 months and an additional 10% for each year over one year of 4 times 10% or 40% additional credit for a total of 90%. The water exoneration board is designed to provide a due process for customers that dispute a bill. The separation is because if the customer accepts the credit offer under the board policy for customer’s accounts not read for 12 months the need for an exoneration hearing is not necessary. We separate these credits from the exoneration board hearing credits to clarify the difference.

The Customer Service Manager was asked for an explanation of Water Exonerations. The Customer Service Manager submitted the following Water Exoneration Hearing Board Exoneration Guidelines:

Modified: Wed 5/19/2004 4:26 PM

WATER EXONERATION HEARING BOARD GUIDELINES

Telephone hearings: Telephone hearings may be scheduled for customers meeting the following criteria:

- elderly,
- handicapped,
- ill ,
- traveling more than 25 miles to attend,
- and/or providing documentation of special employment or family care situation.

Deliberations:

The following are the percentages to be used to grant exonerations of catch-up consumption due to error on the part of The Pittsburgh Water and Sewer Authority:

Residential

under 2 years of estimated readings - 50%
2 - 3 years of estimated readings - 60%
3 - 4 years of estimated readings - 70%
4+ years of estimated readings - 80%
5+ years of estimated readings - 90%

Commercial

under 2 years of estimated readings - 25%
2 - 3 years of estimated readings - 35%
3 - 4 years of estimated readings - 45%
4+ years of estimated readings - 55%
5+ years of estimated readings - 65%

Finding: Estimated readings under 12 months are not entitled to any exoneration even if appealed to the Board; this is despite the Exoneration Board standard that “under 2 years of estimated readings” receives a deduction.

Finding: A time period of ‘less than two years’ and ‘between 12 months and 23 months’ is not the same. “Less than two years” is less specific and should require some adjustment for every month a bill is estimated.

RECOMMENDATION NO. 22:

Exoneration policy should be written consistently. If exoneration policy doesn’t allow exonerations for less than 12 months of estimated readings, it should be written that way. A clearer way to explain the period of time for exonerations is 12 to 23 months, 24 to 35 months, etc.

Exoneration Process

The Exoneration Process begins with a customer request for an exoneration hearing after receiving a high water bill. Reasons for a high water bill include: months of estimated readings before an actual usage reading is made; leaks; service was requested to be shut off yet still being billed; etc.

Exoneration hearing requests are reviewed by a Customer Service Representative (CSR) in the Bill and Meter Division. The CSR then does the following:

1. Sends an Acknowledgment Receipt of Customer Appeal Notice to the customer by first class mail.
2. Determines if disputed amount is based on “Catch-Up Consumption” (a series of estimated readings followed by one actual), “Actual Meter Readings” (in a two month period) or “Other”.
 - A. “Catch-Up Consumption” appeal requests with less than 12 months of estimated readings are sent an acknowledgement letter and a letter scheduling their hearing.
 - B. “Catch-Up Consumption” appeal requests that have 12 or more months of estimated readings are sent an Appeal Offer letter that offers an initial adjustment of 25% off for Commercial accounts and 50% off for Residential accounts. Customer either accepts or rejects this offer. If rejected:
 - a. The CSR will examine the length of time of estimated readings and send out a Subsequent Appeal Offer letter that offers another adjustment amount in accordance with the 2004 approved Board guidelines. If this offer is rejected, a hearing in front of the Exoneration Board is scheduled.
 - C. “Actual Meter Reading” appeal requests are sent an Appeal of Actual Meter Reading letter. This letter states that unless the customer has evidence that PWSA readings are wrong, PWSA will stand by the readings and deny the appeal. Customer either accepts or rejects this. If accepted, payment arrangements can be scheduled. If rejected a hearing in front of the Exoneration Board is scheduled.
 - D. “Other” types of appeals are scheduled for a hearing in front of the Exoneration Board.
3. For the “Catch-Up Consumption” appeal customers with 12 or more months of estimated readings, the CSR calculates the initially offered adjustment.
4. This adjustment is sent to a Customer Service Supervisor (CSS) for verification and correction of the amount if necessary.
5. After CSS approval it is sent to the Customer Service Manager (CSM) to verify the computation and sign off on the amount.
6. The verified amount is given to another CSR to be applied to the appropriate customer account. If needed other changes will be made after an Exoneration Hearing.

The Customer Service Manager has stated that this exoneration process has been in effect for the last two years. Before that time, account adjustments were only made after an Exoneration Board hearing.

Finding: There are no written procedures for PWSA's initial exoneration process

RECOMMENDATION NO 23:

Because this process is being used by PWSA Customer Service it should be formalized in writing with Board approval.

Finding: For customers with over 24 months of estimated bills the initial adjustment offer is less than what is offered at an Exoneration Board hearing. The initial adjustment offer favors the Authority, at the expense of the customer.

The Customer Service Manager has stated that the initial offering is less than exoneration hearing guidelines because the Exoneration Board knows that the water has been used and believes the customer should pay as much as possible.

The initial appeal offer letter reads:

As I am sure that the aforementioned credit meets with your approval, you will not be scheduled for a hearing. If you are not in agreement with this action, please notify PWSA in writing within (30) days of the above referenced date, and you will be scheduled for a hearing in lieu of the above action.

Finding: The language of the initial appeal offer implies that the customer is getting the best deal possible, which is not always true. (It depends on the number of months of estimated readings.)

Finding: It benefits customers with over 24 months of estimated readings to refuse the initial appeal offer and wait for the subsequent appeal offer or proceed to a hearing in front of the Exoneration Board.

Exoneration Process Compliance

The first 6 months of 2009 exoneration data was analyzed for compliance with the PWSA stated initial exoneration offers. The auditors checked to confirm if the initial offers followed the 50% adjustment for residential and 25% adjustment for commercial customers. Percents were calculated by an Excel program and rounded to the nearest tenth. The results are found in Tables 3 and 4.

TABLE 3
FREQUENCY DISTRIBUTION
RESIDENTIAL EXONERATION POLICY COMPLIANCE
Sample size 95
Initial offering discount should be 50%

PERCENTAGE EXONERATED	FREQUENCY	CUMULATED FREQUENCY	PERCENTAGE	CUMUATED PERCNETAGE
35.1%	1	1	1.1%	1.1%
45.7%	1	2	1.1%	2.1%
47.3%	1	3	1.1%	3.2%
48.5 TO 48.9%	4	7	4.2%	7.4%
49 to 49.9%	48	55	50.5%	57.9%
50%	22	77	23.2%	81.1%
50.1 to 50.4%	18	95	18.9%	100.0%
TOTALS	95		100.0%	

Finding: Twenty-two (22) or 23.2% of the sample matched the initial residential offering of 50%. Forty-eight (48) or 50.5% of the sample fell between 49 to 49.9%. Eighteen (18) or 19.9% of the sample were 50.1 to 50.4%. This leaves 7.4 % of the sample two or more percentage points away from 50%.

Finding: Rounding tenths up and down would make 72 or 76% of the sample a 50% offering.

RECOMMENDATION NO 24:

Dividing amounts in half should yield 50% off. The fact that some amounts are higher or lower by a few tenths or by several percents points leaves questions about the calculation process. The amount offered should be rechecked.

Table 4 shows the results for the initial offering for commercial accounts. The results are very similar to the residential results so the recommendation would be the same. The 50.1% offer was given to a customer who primarily manages residential property. Although the property was commercial it was offered the higher residential discount rate.

RECOMMENDATION NO 25:

To ensure that the correct exoneration percentage is initially offered, accounts must be correctly identified as residential or commercial.

TABLE 4
FREQUENCY DISTRIBUTION
COMMERCIAL EXONERATION POLICY COMPLIANCE
Sample size 23
Initial offering discount should be 25%

PERCENTAGE EXONERATED	FREQUENCY	CUMULATED FREQUENCY	PERCENTAGE	CUMULATED PERCENTAGE
22.6%	1	1	4.3%	4.3%
24.3 to 24.9%	9	10	39.1%	43.5%
25%	9	19	39.1%	82.6%
25.1 to 25.3%	3	22	13.0%	95.7%
50.1%	1	23	4.3%	100.0%
TOTALS	23		100.0%	

RECOMMENDATION NO. 26:

If estimated readings are the fault of the Authority, all individuals with estimated readings should have a water bill adjustment without having to request an exoneration.

Internal Guideline Compliance—Water Exoneration Board

In the six month sample period the Exoneration Board heard 80 requests for exoneration, 59 Residential and 21 Commercial.

Finding: Out of the 80 requests for exoneration that the board heard in the 6 month sample period, 59 or (73.75%) had been previously offered settlements but refused the offer. These 59 had been offered less than the required percentage by the Customer Service Manager.

Conversations with the Executive Director indicated that the Exoneration Board is behind schedule with hearing the number of exonerations.

Residential Accounts

Finding: Seventeen of these requests were either treated more generously because of circumstances, or required other decisions outside the PWSA Exoneration Guidelines; e.g. the cost of a meter, or shut off notices that were not honored.

Finding: Of the remaining 42 exoneration hearings, 41, or 98%, followed PWSA guidelines for estimated reading exoneration perfectly. The last one was lower than the guideline allowed; in fact it matched the lowest percentage required under commercial properties. The auditors used Allegheny County’s web internet address to review the property address to see if the property is commercial or residential. The property could not be found on the County web site.

Commercial Accounts

There were 21 commercial property requests for exoneration in the sample. Four exoneration requests were appealed for other circumstances besides number of estimated readings or had less than 12 months estimated readings.

Finding: Seventeen requests for exoneration involved varying months of estimated readings. For these 17 requests outcome results were directly in line with established guidelines.

Customer Service Accessibility

Water is an essential commodity to life but ensuring good quality drinking water and the integrity of a water delivery system costs money. PWSA charges most City residents for these services and as such residents become PWSA customers.

Finding: PWSA does not do its own billing. The service was sent out for bid. An outside company prints the bills and mails them to participating households. Information is supplied by PWSA.

Customer Service is the cornerstone to any good business. The auditors conducted two tests to examine the accessibility and responsiveness of PWSA's customer service department. The first test was to contact PWSA customer service by e-mail. The second was to contact them by phone.

E-Mail Responsiveness

The PWSA web site as well as the telephone on-hold message encourages customers to contact the Authority by e-mail to have questions answered.

The test involved e-mailing PWSA on 12-18-09 and on 2-22-10 with a question about an Auditor's water bill. The request was sent from a City of Pittsburgh e-mail account with a contact phone number included in the e-mail. Each time the same question was asked. Each time this Automated E-mail Response was immediately returned with the following message:

Thank you for contacting The Pittsburgh Water and Sewer Authority. Our vision is to provide water and wastewater services that meet and exceed regulations and customer expectations at the lowest possible cost. Your e-mail is important to us

and we will respond to your request as soon as possible during normal business hours from 8:00 am to 4:40 pm Monday through Friday.

Finding: As of June 16, 2010 PWSA has NOT YET answered the question in the auditor e-mail either in e-mail form or with a phone call. This is over a six month period.

RECOMMENDATION NO. 27:

This service is being promoted and should work. PWSA should investigate the problem with lack of e-mail responsiveness and make corrections.

PWSA Customer Service Accessibility

The auditors tried to contact PWSA customer service by telephone over a four week period. Initially the test was set up for contact 4 times a day. Initial results were poor so the testing calls were increased to 5 times a day. Calls were made throughout the day during PWSA's hours of operation: 8 AM to 4:30 PM.

The phone number to contact PWSA Customer Service is 412-255-2423. After the number is dialed, a message tells the caller "you have reached PWSA; Press one for an emergency, press two to make a payment, press three for an Authority directory, press four for Customer Service, press five if you know your parties extension, and press nine to repeat the menu".

After number four is pressed to reach Customer Service music will sometimes play or the phone will just ring until someone answers it or until an automated message answers. This automated message states that "there are (a number is stated) callers ahead of you". While you are on hold other messages follow as to the other services PWSA offers such as contacting them on the web, what you need to bring for a tenant payment, to "please hold and your call will be answered in the order received" etc.

Ninety (90) phone-calls were made to Customer Service by the auditors between February 22nd and March 19th 2010. Testing was based on two criteria; number of rings (until someone picks up or the automated message is heard) and number of callers that are ahead of you.

TABLE 5
**NUMBER OF RINGS
UNTIL THE AUTOMATED MESSAGE IS HEARD**
Sample size 90 calls

Number Of Rings Until a Message is Heard	Frequency	Frequency Percentage	Accumulated Frequency	Accumulated Frequency Percentage
0*	1	1%	1	1%
1	35	39%	36	40%
2	18	20%	54	60%
3	4	4%	58	64%
4	6	7%	64	71%
5	3	3%	67	74%
6	4	4%	71	79%
7	3	3%	74	82%
8	4	4%	78	87%
9	1	1%	79	88%
10	2	2%	81	90%
11	1	1%	82	91%
12	1	1%	83	92%
17+	5	6%	88	98%
Never Picked Up	2	2%	90	100%
TOTALS	90	100%		

*One call was answered by a customer service representative immediately after pressing number 4 on the menu.

Finding: Sixty percent (60%) of the calls were referred to the “number of caller ahead message” within 2 rings.

TABLE 6

NUMBER OF CALLERS AHEAD UNTIL A CUSTOMER SERVICE REPRESENTATIVE ANSWERS THE PHONE Sample size 88 calls*				
Number of Callers Ahead	Frequency	Frequency Percentage	Accumulated Frequency	Accumulated Frequency Percentage
30+	4	5%	4	5%
25-29	8	9%	12	14%
20-24	18	20%	30	34%
19	6	7%	36	41%
18	7	8%	43	49%
17	3	3%	46	52%
16	7	8%	53	60%
15	6	7%	59	67%
14	7	8%	66	75%
13	2	2%	68	77%
12	3	3%	71	81%
11	1	1%	72	82%
10	3	3%	75	85%
9	1	1%	76	86%
8	4	5%	80	91%
7	1	1%	81	92%
6	1	1%	82	93%
5	3	3%	85	97%
4	2	2%	87	99%
0	1	1%	88	100%
TOTALS	88	100%		

*2 calls were removed because no message or person ever picked up after the ringing.

Finding: Table 6 shows that 49% of all calls made had 18 or more callers ahead. 85% of all calls had 10 or more callers ahead.

A side test was conducted to see how much time it took to reach a customer service representative with different numbers of callers ahead. The auditor called right after 8 AM and had only 1 caller ahead. It took 10 minutes to talk to a customer representative. Another time there were 14 callers ahead and it took 10 minutes to talk to a customer representative; a third time was for 17 callers ahead and it took 23 minutes to talk to a customer representative.

Finding: There is no telling how long it will take to talk to a customer service rep based on the number of calls ahead. It is fair to assume that any number over 10 calls ahead will take 10 or more minutes.

Conversations with the Customer Service Manager indicate that there is a check and balances for customer phone calls. Three times a month each CSR has the Customer Service Supervisor listens in on calls and takes notes for quality assurance purposes.

Daylight Savings Time Problem

The auditors testing period covered the time change from standard to daylight savings time. This meant that the clocks had to be moved ahead 1 hour.

Finding: The auditors called every minute between 8 AM and 8:30 AM and though the first part of the PWSA phone message that direct one to PWSA customer service was answered, no one answered for PWSA customer service (option #4).

RECOMMENDATION NO. 28:

PWSA needs to investigate what happened during this time change in order to prevent its reoccurrence.

Customer Service Staffing

Customer Service is comprised of 5 supervisory personnel, 5 in billing, 12 in collections, 12 in the call center and 5 in dispatch.

Finding: The 12 people in the call center represent 4.7% of PWSA 255 employee workforce. In total the entire customer service workforce of 39 is only 15% of PWSA workforce.

RECOMMENDATION NO. 29:

PWSA should hire more Call center people. A long waiting time gives the public a negative image of the Authority and is a frustrating experience for the caller. This is especially true for customers calling from work who have limits on personal calls.

On line Account Management

Conversations with PWSA Executive Director have indicated that the new on line bill paying and account management service is not being used as well as anticipated.

Finding: To sign in for on line access requires the customer to type in their water account number. Yet, on line service eliminates a paper copy of their water bill. Arrangements have to be made, whether through memorization or keeping an old bill handy for the customer to have their account number accessible.

Finding: Information accessed from the new on-line service only goes back to January 2010.

RECOMMENDATION NO. 30:

The auditor investigated how most utilities “paperless” sign on systems work and found that 3 of the 4 companies surveyed used an e-mail address or personalize customer ID for easy sign on access. Requiring the customer to either memorize or keep their account number on hand to access the system may be cumbersome and may account for poor usage.

Finding: PWSA pays between \$80,000 to \$100,000 for Management, Operational and Organizational Services and pays up to \$165 an hour for Evaluation of Management Info Systems.

RECOMMENDATION NO. 31:

The Management and Computer Systems contractors should be able to come up with a more user friendly approach to the on line service.

Walk-In Customer Treatment Observations

Finding: Auditors went into new offices of PWSA and no one was at the front desk in foyer. When someone did come to the front desk the person was rude and barely looked up from her crossword puzzle to answer a question.

RECOMMENDATION NO. 32:

Front desk personnel are water customer’s first point of contact. Customer service training should be given to all front desk personnel whether they are employed by the Authority or landlord.

Finding: There is no handicapped accessibility at the customer service windows. People on crutches and walkers have to stand, some in pain, to take care of their business.

Finding: No handicapped parking is available near the PWSA offices.

RECOMMENDATION NO. 33:

In addition to the ramp outside, handicapped accessibility should be improved by offering parking that is in close proximity to PWSA and by offering seating during customer service transactions.

Finding: Personal checks are not accepted to stop water shut off. Even if the shut off date is a week or more away, a personal check will not be taken.

RECOMMENDATION NO. 34:

The Authority should revise its policy and accept personal checks to stop water shut offs. Personal checks are accepted for monthly bill payments. There is no reason not to accept them for other payment purposes.

Water Treatment Quality

According to authority officials, all water treated by PWSA complies with federal Environmental Protection Agency (EPA) drinking water requirements. PWSA purifies the bulk of its water with conventional coal and sand filtration. There are limitations to this type of filtration system. It does not remove the intestinal parasites giardia and cryptosporidium. These protozoa are resistant to chlorine and can cause severe diarrhea and other intestinal disorders. Individuals with low or developing immune systems (AIDs patients, chemotherapy and organ transplant patients, children and the elderly) can die from the effects of exposure to these pathogenic protozoa.

Membrane filtration systems such as the one used at PWSA's Highland Reservoir No. 1 can remove more contaminants through filtration alone, including giardia and cryptosporidium.

Finding: Water quality reports sent by PWSA to customers getting conventionally treated water carry a warning for immuno-compromised individuals about microbial 'contaminants' in the drinking the water.

Finding: PWSA customers serviced by the membrane filtration plant at Highland Reservoir No.1 are getting better quality water than the majority of PWSA customers.

Membrane Filtration Plant Cost

Finding: Keeping the Highland Park reservoir uncovered enhances the aesthetics of Highland Park at a significant cost to all Authority ratepayers.

According to PWSA's webpage, the Highland Park community was against the reservoir being covered. To keep and reservoir open and comply with state and federal Safe Drinking Water Acts, a filtration system upgrade was needed. A membrane filtration system was installed in 2002.

The water treatment plant supervisor stated that the membrane filtration plant was estimated to cost 20 million dollars amortized over a 20 year period. In contrast, covering the reservoir with a floating cover would have probably cost 3 to 5 million dollars. The floating cover would have to be replaced every 15 to 20 years.

Finding: The membrane filtration plant also needs service and updating. Currently there are two contracts awarded to a consultant to plan these up grades. The cost of Filter Workstation Upgrade, Option 1B is \$18,000; the cost of Membrane Filtration Plant Workstation Upgrade, Option 2B is \$20,000.

Marcellus Shale Threat to Pittsburgh's Drinking Water

Marcellus Shale Drilling for natural gas is being performed in areas around the City of Pittsburgh. This method of hydraulic drilling uses millions of gallons of water to "frack" or create cracks in the deep Marcellus shale to release natural gas. Chemicals and sand are added to the drill water. A natural gas drilling loophole in the Safe Drinking Water Act allows non-disclosure of the chemicals for 'proprietary reasons'.

In Pennsylvania there have been several instances of surface and groundwater contamination caused by fracking water escaping from containment ponds or during transportation from drilling sites. The PWSA water treatment supervisor noted that the Monongahela River is getting polluted. Contaminated water may reach the Allegheny Rivers from which PWSA draws its drinking water.

Finding: Marcellus shale waste can only be removed with an ultrafiltration membrane. None of PWSA's treatment plants can successfully remove contamination from 'frack' water.

Finding: New regulations proposed by the state's Environmental Quality Board would limit the amount of pollution in the fracking water released back into streams or other bodies of water. Water that exceeds the pollution limits would have to be treated prior to release.

RECOMMENDATION NO. 35:

PWSA should vigorously lobby the state legislature to adopt the proposed regulations and any others that protect Pennsylvania water from Marcellus Shale drilling pollution.

Lease with The Buncher Company

In 2007, PWSA entered into a lease agreement with The Buncher Company to occupy 45,618 square feet of office space located at 1200 Penn Avenue for its administrative and business offices. A total of 85 employees work out of this office space including: 66 administrative personnel, 17 in engineering, the Director of Sewer Operations and the Director of Water Operations. This lease commenced on August 1, 2007 and extends for a term of twenty (20) years, ending on July 31, 2027. It should be noted that the law firm of Thorp Reed & Armstrong, LLP represents both The Buncher Company and the PWSA on a recurring basis and was instrumental in negotiating this lease.

The first three months of the lease were rent free. Beginning with the 4th month, a monthly rental charge of \$49,419.50 is assessed for the first 5 years, \$51,320.25 is due for years 6-10 years, \$55,121.75 for years 11-15 years and \$57,022.50 for years 16-20 years.

Finding: The newly renovated office space amounts to 536.6 square ft per employee at a yearly cost of \$593,034 for the first 5 years, \$615,843 for years 6-10, \$661,461 for years 11-15, and \$684,270 for years 16-20.

Finding: The amount of office space seems excessive for the number of employees housed there. The cost to the Authority is not economical or efficient.