



MANAGEMENT LETTER of AUDIT OBSERVATIONS

September 20, 2019

Dan Sambrano, Utilities Manager

A performance audit of the Utilities Department's Wastewater Billing & Payment operations was completed as of July 19, 2019, and the issuance of an official Audit Report is pending Management Responses. Internal audits are carried out in all areas of County operations. In each case the audit focus is upon improving operations by providing management with a reasonable assurance of whether or not internal controls exist and are effective in their area of operations. When internal control deficiencies are identified, they are brought to management's attention along with recommendations for improvement, within the Audit Report. As a result of this audit, the Internal Audit Function will schedule a 90-120 Day follow-up with Utilities, concerning progress made on addressing the Moderate-level risks/findings indicated in the official Audit Report.

The internal audit process consists of a thorough review and understanding of applicable SOPs and policies governing operations and staff actions. Interviews with knowledgeable employees, direct observation of department activities, as well as the testing/reviewing of documentation that support purported activities, are conducted. The audit period covered January 1, 2017 through December 31, 2018.

The following comments, which have been or will be discussed with you, are intended to improve Utilities' internal control structure. Comments are presented here and not within the official Audit Report, as these items are viewed as beyond the immediate scope of the audit. As with all Management Letters, an official response in writing is not required, however verbal feedback to the internal auditor is encouraged. A few auxiliary items were revealed, of which Utilities management may want to stay abreast and address (*Management Input is italicized*).

1. EPA Compliance Evaluation Inspection

During a 2017 EPA Compliance Evaluation Inspection, Utilities received a rating of ‘Unsatisfactory’ on the proper maintenance of treatment units. This was a downgrade below ‘Marginal,’ from a ‘Satisfactory’ rating received in the 2016 Inspection. While the overall ratings for the 2016 & 2017 Inspections were either ‘Satisfactory’ or ‘Marginal,’ the low rating on maintenance underscores the Bohannon-Huston report results concerning the large amount of repair work that is needed to wastewater treatment equipment. Management is encouraged to seek immediate improvement in this area and continue to observe it, particularly since the 2018 Inspection is still pending.

Capital Outlay funds of some \$5 million should address the repairs needed to bring this up to speed. A sludge pit that initially caused the lowered score has already been rebuilt.

2. Postage Expenditures

Currently, Utilities does not perform competitive bidding as it pertains to the entity that handles its monthly mailings. It may be financially beneficial for management to compare the current cost of its mailings to industry standards, or acquire quotes from external vendors as a means of analyzing if it is more cost effective to utilize an outside contractor versus the current in-house means being employed to distribute mailings.

Unless it is discovered that significant savings can be expected, the conversion of 70% of business to the Lower Rio Grande should adequately reduce the mailing expenses.

3. Water Company Assistance

During the Entrance Conference, management purported the efficacy of formulating agreements with water companies to have them administer the combined billing of water and wastewater services, in an effort to reduce account delinquencies. While an in-depth analysis of this plan was beyond the scope of the audit because cost details were still unknown, a peripheral analysis of State Statute supports management’s approach.

Herein, the Statute outlines the water service providers’ right to turn off services for non-payment, while primary wastewater service providers are not mentioned in this option. A cost-benefits analysis of water company compensation versus current rates of non-payment, could inform management if the enhanced incentive for timely payments through water service providers is worth the additional costs that would be charged by the water service providers.

The Audit not only views this as a positive, proactive move by management to secure timely payments, but the reduced amount of administrative work due to the water companies’ services should allow staff more time to pursue collection actions for those who are already in arrears but still within the statute of limitations. Per a discussion with the Assistant County Manager of Operations, while the water companies may also be incentivized to assist

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in the collection of wastewater payments that are already in arrears, the internal auditor encourages management to take the steps it deems appropriate to bring accounts (in arrears) current.

Employment of Temporary Staff should aid in addressing collection for accounts in arrears.

4. **Safety Procedures**

While it was suggested to the internal auditor that adding a laborer could improve safety for the one-person operator who is responsible for the northern wastewater treatment plants, there are other factors that may be considered. Because safety is a legitimate and immediate concern to all, particularly those in supervisory roles, even the approved addition of a laborer would require time. Management will want to take such immediate steps as

- 1) conferring with other governmental agencies that are operating in the area (City of Hatch) so that periodic checks are made to communicate with or put ‘eyes on’ the operator (this could be completed via a mutual aid agreement),
- 2) ensuring that the operator checks in during prescribed time intervals on each shift (with management following up on missed check-ins), and
- 3) administering general and situational safety refresher training annually, and providing the operator with a life jacket to wear when working around open effluent ponds.

Utilities Management verified that the Operator currently checks in several times daily. In addition, Management has asked DASO to conduct wellness checks.

5. **Impact Study for Population Growth**

Management mentioned the possible benefits of an impact study for population growth in the South Central region of Doña Ana County (DAC). World Population Review estimates less than a 1% population growth for DAC, in the upcoming year. In addition, the Bohannon Huston report for March 2019 stated that a massive collection expansion in the Valley area is unforeseen. However, this report also echoed management’s suggestion that in the event of such expansion, the County would be well advised to consider having new development take on some of the expense for expansion.

Management will remain diligently aware of population growth in the affected areas, in the event the need for an impact study is to be revisited.

6. **Warning Signs**

After multiple visits to each of DAC’s wastewater facilities and to several lift stations, the internal auditor noted a lack of signage to warn the public of the dangers of breaching each enclosure. While staff is aware of the dangers inherent in falling into an effluent pond or into a lift station enclosure, the public may not be aware of the hazards within the enclosures. To

its credit, DAC has secured facilities and lift stations, and the internal auditor found no regulations requiring signage. As only one lift station posted a sign in both English and Spanish warning the public not to enter the facility, Management would be prudent to consider signage for all of its fenced-in facilities.

Management will review the efficacy of adding signage.

Another safety concern discovered was the lack of lighting at the wastewater treatment facilities. Again, knowledgeable staff should be aware of open septic sumps at the South Central Wastewater Treatment Facility, however others would not necessarily be aware of these openings in the ground, which can reach several feet of depth. Management should consider inputting lighting in facility areas containing uncovered openings in the ground.

Management is in the process of acquiring some \$5 million, which should aid in addressing the lighting situation.

Yet another area of concern to the internal auditor was that only one wastewater treatment facility had life preserver rings stationed, while the other facilities had no life preserve rings nor jackets that could be worn while working around the open effluent pools. While it is this auditor's opinion that staff would be well served to wear life preserver jackets while working around the open effluent ponds, it would be Utilities' responsibility to supply these jackets at each facility.

Management will review the efficacy of providing life jackets at the treatment plants.

7. Sewer Services


The Utilities Department cannot definitively state if the ordinance dictating mandatory sewer connection for all residents who have access to the sewer system, has been enforced. While collaborating with water services companies can aid in discovering what residents have water service but do not pay sewer fees, it is limited to those water companies who partner with Utilities. Management could stem this disadvantage and likely procure more funds for the County if it took the initiative of contacting ALL DAC water companies (even the ones with whom we have no contracts) to request a listing of current customers and addresses. Herein, this listing could be compared to DAC areas that offer sewer services, and possibly serve as an indicator of which residents have not experienced enforcement of the ordinance.

Collaborating with Lower Rio Grande should aid in addressing and identifying applicable clients above. In addition, staff is responsive to reports or complaints from concerned citizens. (█████ should send an update).

Thank you for the attention given to the items cited above.

NOTE: Italicized data above was gathered during the Exit Conference, on August 30, 2019

Very Respectfully,


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