



**CITY OF CLEVELAND - DIVISION OF WATER
STATE REGION - ISA, CUYAHOGA COUNTY**

SAS - 70

JANUARY 1, 2007 THROUGH DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
City of Cleveland - Division of Water
1201 Lakeside Avenue
Cleveland, Ohio 44114

To Members of the Board:

We have examined the accompanying description of controls of the Division of Water (DOW) applicable to the processing of transactions for users of the Billing and Collection System. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of the DOW's controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily and user organizations applied the internal controls contemplated in the design of the DOW's controls; and (3) such controls had been placed in operation as of December 31, 2007. DOW uses the lockbox services of National City Bank for receipt and deposit of some utility payments. In addition, banks and other entities perform agency functions for the receipt of utility payments. The accompanying description includes only those controls and related control objectives of DOW, and does not include controls and related control objectives of National City Bank or other agents. Our examination did not extend to controls of National City Bank or the other agents. The control objectives were specified by the management of the DOW. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

As discussed in the accompanying description, programming staff have been provided access to the production environment. In addition, there is no monitoring of changes made to the production environment. These deficiencies result in policies and procedures not being suitably designed to meet the control objective, "The transfer of programs into the live environment should be appropriately controlled."

In our opinion, the accompanying description of the aforementioned application presents fairly, in all material respects, the relevant aspects of the DOW's controls that had been placed in operation as of December 31, 2007. Also, in our opinion, except for the matter described in the preceding paragraph, the controls, as described, are suitably designed to provide reasonable assurance the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of the DOW's controls.

In addition to the procedures we considered necessary to render our opinions as expressed in the previous paragraph, we applied tests to specific controls, listed in Section III, to obtain evidence about their effectiveness in meeting the control objectives, described in Section III, during the period from January 1, 2007 to December 31, 2007. The specific controls and the nature, timing, extent, and results of the tests are listed in Section III. This information has been provided to user organizations of the DOW

and to their auditors to be taken into consideration along with information about the internal control at user organizations, when making assessments of control risk for user organizations. In our opinion, the controls that were tested, as described in Section III, were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance the control objectives specified in Section III were achieved during the period from January 1, 2007 to December 31, 2007. However, we did not test the operating effectiveness of controls designed to achieve the control objective, "The transfer of programs into the live environment should be appropriately controlled." Accordingly, we express no opinion on the achievement of this control objective.

The relative effectiveness and significance of specific controls at the DOW and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls and other factors present at individual user organizations. We have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The information in Section IV is presented by the DOW to provide additional information and is not part of the DOW's description of controls that may be relevant to a user organization's internal control. Such information has not been subjected to the procedures applied in the examination of the description of the controls applicable to the processing of transactions for user organizations and, accordingly, we express no opinion on it.

The description of controls at the DOW is as of December 31, 2007, and information about tests of the operating effectiveness of specified controls covers the period from January 1, 2007 to December 31, 2007. Any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at the DOW is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by the management of the DOW, its user organizations, and the independent auditors of its user organizations.



Mary Taylor, CPA
Auditor of State

January 4, 2008

SECTION II - ORGANIZATION'S DESCRIPTION OF CONTROLS

CONTROL OBJECTIVES AND RELATED CONTROLS

The Division of Water's (DOW) control objectives and related controls are included in section III of this report, "Information Provided by the Service Auditor," to eliminate the redundancy that would result from listing them here in section II and repeating them in section III. Although the control objectives and related controls are included in section III, they are, nevertheless, an integral part of the DOW's description of controls.

OVERVIEW OF OPERATIONS

The DOW services not only the City of Cleveland but also 70 surrounding suburbs, six master meter, and eight emergency standby communities. They provide water to 414,449 city and suburban accounts in the Cleveland metropolitan area. They also sell water for resale to master meter communities which operate their own distribution systems, and they provide billing and payment services for the Northeast Ohio Regional Sewer District (NEORS) and other sewer communities.

During 2007, the DOW provided services to 128,630 accounts located within Cleveland and 285,819 accounts located in direct service communities. Water provided to each master meter community is metered at each community's boundary. Consumers within the City of Cleveland accounted for about 21 percent of the DOW's metered sales revenue, while the direct service and master meter communities accounted for 69 percent and 10 percent of metered sales revenue, respectively.

The DOW provides a complete array of processing services including billing, processing payments, mailing delinquency notices, terminating water service on delinquent accounts, and distributing the money collected to the municipalities. The DOW processes approximately 12,000 bills daily which include bills for water, water and sewer, final notices, and delinquent notices.

RELEVANT ASPECTS OF THE CONTROL ENVIRONMENT, RISK ASSESSMENT AND MONITORING

Control Environment

The Department of Public Utilities, headed by its director, comprises four divisions: Water, Water Pollution Control, Cleveland Public Power, and Utilities Fiscal Control, each of which is managed by a commissioner. The Division of Utilities Fiscal Control provides accounting and other financial services to the other three divisions. The following functional areas are headed by assistant commissioners who report directly to the commissioner of the DOW:

- *Administration* - is the support staff of the division and is responsible for non-technical functions excluding sales and billings.
- *Plant Operations* - is responsible for the pumping and purification of water as well as the laboratories which analyze raw and potable water.
- *Engineering* - is responsible for the design and construction of capital improvement projects undertaken by the division.

- *Distribution System Maintenance* - is responsible for servicing and maintaining the division's distribution system which includes water mains, meters, valves, fire hydrants and connections.
- *Customer Account Services* - is responsible for the division's interactions with its customers, including meter reading, billing, payments and customer service inquiries.
- *Information Technology (IT)* - is responsible for monitoring systems processing and running production jobs and reports requested by the users. This department is also responsible for managing the Local Area Networks (LAN) and the telecommunication needs of the DOW.
- *Budget* - is responsible for the operating budget, and contract procurement and requisition processing for operational needs.

This functional arrangement, management controls, and the established information processing policies, standards, guidelines, and procedures help to ensure adequate segregation of duties within the DOW.

Risk Assessment

The Department of Public Utilities has a formal risk management function to address the environmental and safety risks associated with running a public utility. In addition, the DOW has established an Information Architecture Committee to oversee the activities of the IT Department. The committee includes members of all departments within the DOW as well as members of the IT staff. The committee meets regularly throughout the year to discuss issues related to the information systems of the DOW.

In addition, the DOW has identified operational risks resulting from the nature of services provided to the member communities. These risks are primarily associated with computerized information systems. These risks are monitored as described under "Monitoring" below and in additional detail throughout the "General EDP Control" section.

Monitoring

The Accounting Department, which is a functional area reporting to the commissioner for the Division of Utilities Fiscal Control, is responsible for the daily accounting function of the DOW. Some of their duties include: reconciling the accounts receivable totals to the City of Cleveland's PeopleSoft accounting system, tracking refunds made to customers, scanning purchases for unusual entries, and producing monthly, quarterly and year-end financial statements. DOW personnel monitor the quality of service to user organizations and system performance as a routine part of their job duties. To assist them in this monitoring, DOW uses a variety of key indicator reports to monitor the processes involved in billing and payment.

Computer access is monitored on an ongoing basis by IT staff. Exceptions to normal processing related to hardware, software or procedural problems are resolved daily.

INFORMATION AND COMMUNICATION

The aspects of the information and communication component of internal control as they affect the services provided to user organizations are discussed within the "General EDP" and "Application" control sections.

GENERAL EDP CONTROLS

Overall Operation of the IT Function

The DOW IT staff consists of 62 individuals including the assistant commissioner. The breakdown of individuals by category is as follows:

Infrastructure:

- Assistant manager of applications development & technology support (1)
- Project director (1)
- Network/Data center operations manager (1)
- Systems analyst (7)
- Chief systems analyst (3)
- Network analyst (3)
- Telecommunications analyst (2)
- Telecommunications technician (1)
- Customer service representative (3)
- Supervisor of systems & technical support (1)

Administrative and Project Management:

- Assistant manager of applications development & technology support (1)
- Office manager (1)
- Project director (2)
- Deputy project director (2)
- Senior clerk (1)
- Personnel assistant (1)
- Assistant administrator (3)
- Help desk analyst (2)

Applications:

- Manager of applications (1)
- Database coordinator (1)
- Supervisor of applications development (1)
- Data processing supervisor (1)
- Systems analyst (3)
- Senior systems analyst (1)
- Software analyst (1)
- Senior computer operator (1)
- Computer operator (3)

Geographic Information System (GIS)

- Assistant manager of applications development & technology support (3)
- Senior systems analyst (2)
- Chief systems analyst (1)
- Network analyst II (1)
- Project leader applications (1)
- IT program manager (1)
- DBA (1)
- Data processing supervisor (2)

The DOW follows the personnel policies and procedures documented in the manual provided by the City of Cleveland. An organization chart and job descriptions have been developed for the IT Department of the DOW. The Department of Public Utilities has contracted with Cleveland State University's Division of Continuing Education to provide continuing education to DOW employees. The courses are designed to keep DOW employees abreast of the latest technology so they can perform in the most efficient manner.

All hiring for the DOW must be approved by city hall administration prior to the posting of a job opening. All positions are posted internally first. If sufficient responses are not received, the positions are then posted on the city's web site and/or in a local newspaper.

The DOW contracted with a consulting firm to design and implement a five year information technology (IT) plan covering the period 2002-2006. A comprehensive long range IT plan was not in place for 2007. The assistant manager of applications development and technology support (infrastructure) tracks and plans the duration of various network group projects that support information systems projects. Projects on this listing

cover the period 2004 through 2008. In addition, the DOW participated in the City of Cleveland's Operations Efficiency Task Force (OETF). The OETF was established by the mayor to create a new model for how government operates. The OETF met weekly from May 2007 through October 2007 and consisted of City of Cleveland and DOW personnel. One of the functions of the task force was to make recommendations for improving the efficiency and effectiveness of key city services. As part of its evaluation of the efficiency and effectiveness of the DOW, the OETF recommended a comprehensive IT Plan be prepared during 2008.

The Strategic Business Plan concerns the DOW as a whole and was completed in 2003 for the period 2003-2007. A Strategic Business Plan for 2008-2012 is available in draft form. The business plan manager and the Strategic Business Plan (SBP) department have responsibility for implementation of the plan. The Strategic Business Plan Committee meets periodically and a list of action items is prepared and distributed to the committee members.

The Department of Public Utilities formed an Information Architecture Committee consisting of various individuals throughout the department, including IT staff. The committee met several times during the year, but was disbanded in August 2007. A new IT Governance committee is being formed and will begin meeting in 2008.

Development and Implementation of New Applications and Systems

The DOW's Billing and Payment application was developed in-house. The current version of the application went into production in June 2000. The DOW IT personnel maintain and support the Billing and Payment application as well as investigate enhancements to the application using new technologies. This application is in the process of being replaced by a vendor supported application.

The following Requests for Proposal (RFP) were prepared for the selection of a new Customer Information System/Customer Relationship Management (CIS/CRM) system.

1. CIS/CRM Project Management Services – was prepared by the DOW for the selection of a project management company to assist in the selection, implementation and post implementation services for a new CIS/CRM system. The project management contract was awarded to TMG.Consulting, Inc.
2. Integration Services for a CIS/CRM Solution – was prepared by the DOW for integration services, CIS/CRM software selection, and required hardware/infrastructure. The integrator will be responsible for delivering a fully functional CIS/CRM solution. The contract for integration services was awarded to Bearing Point. They will be implementing the Oracle (formerly SPL World Group) Customer Care and Billing Solution (CC&B) application.
3. Hosting and Managed Services – was prepared by the DOW for hosting services and managed services to support the DOW implementation of the Oracle CC&B package. This RFP was released at the end of 2007. The terms "hosting services" and "managed services" are defined in the RFP as follows:
 - Hosting Services – computing and networking infrastructure (facility, disaster recovery, hardware, software, security and networking) and the service to support and maintain the infrastructure.
 - Managed Services – services including application data base support and maintenance; manage code libraries and code migrations; execute and monitor the batch processes; help desk services; application development and report writing development.

In addition, an RFP was developed for the existing billing system for the "Printing, Insertion, and Mailing of Utility Bills and Notices". This RFP was released in September 2007. It is anticipated the chosen vendor will be able to transition into the new CC&B application.

Application attribute reviews called "fit/gap sessions" are being conducted by the CIS/CRM core team to assure the new CIS/CRM application meets DOW requirements and specifications. The core team is comprised of members of the DOW IT department and user staff from the DOW and NEORS. The objective of these sessions is to identify gaps (differences) between the current process/application and the new application. In doing this, decisions will be made that will determine the future-desired business functionality and will therefore influence how individual business unit processes will change to accommodate these changes.

Timelines are prepared for projects, which break the project down into design segments based on the complexity of the project. These segments include intermittent status meetings where design issues are addressed. Management sign-offs were obtained for milestones reached in the time line at these meetings as well.

The project manager monitors the integrator's progress and makes weekly reports to the DOW.

Vendors of new software are required to provide user training and documentation. Training was provided to the core team on the new CC&B application by the vendor.

Changes to Existing Applications or Hardware Systems

Program enhancements and modifications are initiated via a Problem Description and Resolution form. The Problem Description and Resolution form is also used to document user requests for changes to data. All requests must be approved by the supervisor of applications development. The forms are logged on the Programming Project Log and are monitored weekly by the supervisor of applications development. The supervisor of applications development meets informally with each programmer to discuss open requests.

The Problem Description and Resolution form describes the change request and identifies the programs and/or libraries which will be affected by the change. A second form, Program Change Log, must be approved by the requestor or the department supervisor before programs affected by the change can be moved into the production environment.

The DOW uses a vendor provided meter reading system, Datamatics. Software and hardware support agreements for the meter reading system are maintained by the DOW. Change requests for the meter reading system must first be approved by the assistant administrator of meter reading. Changes to the Datamatics application are performed by the vendor. The vendor submits a proposal to the DOW for the estimated cost to the assistant commissioner of customer account services. The assistant commissioner verifies all requests. Requests for vendor changes are infrequent.

All source and object code for the Utility Billing and Payment system resides on the IBM AS/400. The IBM AS/400 has been logically partitioned into development (test) and production environments. Program source code is copied from the production library to the test library by the supervisor of applications development. Upon completion of the changes, the source is compiled in the test library and is tested against test data. When the programmer is satisfied the changes are working as intended, the requestor is then asked to approve the test results. If errors are detected by the user or the programmer, the programmer corrects the errors and restarts the testing procedures. User involvement in the testing process has been minimal due to the small number and nature of changes being made.

The movement of programs between development and production is controlled through the use of a specific user ID which is restricted to two specific computers. The manager of applications, supervisor of applications development, and a systems analyst are the only individuals with knowledge of the password for this user ID. The supervisor of applications development uses a copy-and-recompile command to move the programs into the production environment. The prior version of the program is retained in a separate library. These individuals have the capability of making changes to programs and moving programs into the production environment.

The movement of programs into the production environment is not being monitored to help detect unauthorized changes to programs.

The programmer documents the change date and the purpose of the change inside the program. User manuals are updated, if needed, by programming staff. The user manuals are updated only if changes to the application affect the functionality of the application. Typically, changes to the application are fixes or minor enhancements requested by the users.

If training is necessary, it is performed by the programmer who made the change. Training is normally provided at the user's workstation where the programmer will walk the user through the changes that were made.

IBM provides updates to user manuals for changes made to the operating system.

IT Security

IBM AS/400: (Billing)

System level access is administered by the manager of applications. Authorization from department supervisors is required before an account is established on the IBM AS/400. The IT Department adopted a computer security policy and users must sign a form acknowledging their acceptance of the computer security policy. This form is also signed by their supervisor to authorize access to the system.

Security related events are logged and monitored by the systems analyst. An automated job scheduler is utilized to generate daily reports of the security related events.

When employees leave the Division of Water, the manager of applications receives notification from the Personnel Department and he disables or deletes the accounts of users who are no longer employed by the DOW.

Primary logical access control to the IBM AS/400 is provided by security provisions of the OS/400 operating system. This includes access to data, programs, and system utilities. System level security requires a unique user id and password for sign-on. The OS/400 operating system permits the use of group profiles to grant the same level of access to multiple users; however, accountability is lost if individuals can sign-on as a group profile. Group profiles are not used to log onto the system at the DOW. In addition, special authorities can provide unlimited access to the OS/400 computer system. DOW assigns special authorities to individuals based on job functions, not at the group level. The following security options have been implemented to control user access to the AS/400:

Password Controls: Password minimum and maximum lengths have been established. Passwords automatically expire on a periodic basis.

Sign-on Controls: Terminals are automatically logged off after a period of inactivity. User IDs are disabled after a pre-determined number of failed sign-on attempts. All remote sign-on requests must go through the normal sign-on procedure, which requires validation of the user profile and password on the target AS/400. Group profiles are not utilized; therefore, users must use a unique ID and password for sign-on. Command line access has been restricted to authorized individuals.

Network Controls: The job action network attribute has been established to prevent network jobs from running automatically. Instead the input job stream is filed in the recipient's network file queue. Client request access and distributed data management access have been established so that requests are processed in accordance with the receiving system's own object authorizations.

Application level security is provided by IBM's CICS online transaction processing software, and is administered by the project director of Customer Account Services. The project director confirms application level security each November by requesting each department head to send her a list of employee names, the functions needed, and whether view or update capability is needed. A reminder is sent towards the end of the two week period. If a response is not received within two weeks, the employee's access is removed. Access is not re-instated without a completed form. The project director compares the access requested with the existing access and makes any necessary changes. On a monthly basis, the project director reviews a report which lists all access by employee number to ensure access is appropriate.

Billing application users have unique user IDs and passwords. CICS passwords have been established with a minimum length and periodic expiration to prevent unauthorized access. The CICS application level security restricts user access to specific functional menus/transactions based on the user's job responsibilities.

System files, utilities, authorization lists, data files, and application programs are restricted through the user's AS/400 profile. Access to sensitive files can only be obtained if the library list within the user profile has been attached to the files. Users do not have update or delete access to sensitive files. Users are restricted by their user profiles to an initial program which directs them to the CICS menu system. After completion of the initial program, the user defaults to the initial menu parameter.

The IBM AS/400 has been logically partitioned into development and production systems. Direct access to data files is restricted to the supervisor of applications development. Programmer access to the production system is limited to view only privileges. The data files can be updated through the DFU utility or specific system programs. Access to the DFU utilities is restricted to the supervisor of applications development.

A control function exists in which only one authorized user can access a data file at a given time to administer changes or perform data entry operations. This helps to ensure the most recent version of the data is being used.

Program files reside in a library in the production system. Update access to this library is restricted to the supervisor of applications development. The manager of applications and the data processing supervisor also have update access to the production library through the security officer user profile which is the highest level account on the AS/400.

Emergency changes to the program code are made in an emergency library. Access to the emergency library is restricted to operators and programmers. The following day these changes are documented through normal change control procedures, and the changes are transferred to production. The emergency library is cleared out every day at noon. Changes made in the emergency library are reviewed by the data processing supervisor.

The AS/400 command to "power down the system" is restricted to the security officer user profile. The manager of applications and the data processing supervisor are the only two individuals with access to this user profile.

During normal business hours, visitor access is restricted to the main entrance. The front desk entrance is monitored by security guard personnel. Other entrances to the building are secured by key card access. The IT area, where the computer room is located, is also controlled by key card access. Access to the computer room is restricted to municipal service laborers/custodial workers, electricians, security/access control officers, and IT staff. The Security/Access Control area administers the key card access system based on directives from the departmental supervisors.

The following items assist in controlling the computer room to protect it from adverse environmental conditions:

- Automatic climate control.
- FM 200 fire suppression system.
- Fire alarm.
- Fire extinguisher.

The computer equipment at the DOW is self-insured by the City of Cleveland.

Network access has been secured through the use of a fiber network and firewall. Remote access is configured through a network access control appliance and system level security which requires a unique user ID and password. The DOW utilizes a private network addressing scheme. The firewall, which passes only TCP/IP traffic and blocks all other traffic, allows a user to exchange the 10-dot address for a real IP address which is recognizable by the Internet thus allowing the user to access the Internet. The passwords for the firewall are enabled and controlled by the network staff. The network staff periodically port scan the network for weaknesses in the configuration of the firewall.

Documentation for the network is maintained by the Network Department. The documentation identifies all individuals with access to the Internet. Inbound traffic is limited with the use of conduits. The inbound traffic is restricted to buildings within the DOW network, such as pump stations.

Windows 2003: (Meter Reading)

Primary logical access is controlled through the application level security provided by the Meter Reading application.

Data from the Meter Reading application on the Windows 2003 server is exported and uploaded to the AS/400 nightly. The upload is controlled by the AS/400. The AS/400 initiates an FTP session with the Windows 2003 server during which the file is uploaded to the AS/400. The AS/400 terminates the session upon completion of the file transfer. Users of this system cannot access the AS/400 because the Windows 2003 server does not have emulation software loaded. Unique user IDs and passwords are required to gain access to the Meter Reading application.

The Windows 2003 server is located in the center of the Meter Reading Department. Several meter reading staff members work in the area which minimizes the risk of unauthorized personnel attempting to gain access to the server.

Banctec System:

The Banctec System machine reads the account and balance information as the stubs and checks are scanned through the machine. It is located in an area secured by the key card system. Only data conversion operators run the machine and there are several employees working in the area who would be aware if someone other than a data conversion clerk attempted to operate this machine.

The AS/400 establishes an FTP session with the Banctec system and terminates the FTP session after the upload is complete. Users cannot initiate an AS/400 session from the Banctec machine.

IT Operations

An operations run book is maintained to document instructions for work performed by the computer operators. The job schedule is contained in the operations run book and includes the job name, job description, data preparation instructions, set up requirements, schedule information, description of the processing steps, and expected results. Daily production jobs are submitted by the auto scheduler (R-Tape) or by a job submission program developed to scan data files for activity and execute the necessary jobs based on the results of the activity scan. This scanning process helps to ensure data required for subsequent batch jobs is available. A system job log detailing job completion status is reviewed online during each shift.

Operators are trained and hold the necessary skills to perform their related job functions. Operators are assigned to oversee batch processing, initiate backup processing, and perform other operational duties. Each shift overlaps by one half hour in order for operators to discuss unresolved problems or operational errors. Each shift also prepares an incident report which records significant items that occur during a shift (shift turnover, daily cash processing, errors, deliveries, etc.) including the time of the occurrence and the actions taken. There are three shifts each day, Monday through Friday. Operators are supervised by the data processing supervisor.

The data processing supervisor reviews a system generated report which lists the reports printed during the previous day's third shift processing. The data processing supervisor compares this report to the batch job schedule to ensure all reports printed successfully. Reports are printed in the operations room. A header page is printed with each report indicating the recipient of the report. The Operations Department is responsible for report distribution.

Requests for modifications to the batch schedule require authorization by the appropriate supervisor. The manager of applications is notified of requests for schedule changes via memorandum or request form. Prior to schedule changes being implemented, programmers are required to update the operations run book for additions or modifications to batch programs.

The DOW has two Storage Area Networks (SAN). The main SAN is located in the DOW computer room and the backup SAN is located at a backup facility located 11 miles from downtown. The main SAN is replicated to the backup SAN. The SANs are maintained and monitored by a third party vendor, EMC. The SAN replication monitoring services provided by EMC are error based. Monitoring is not performed nor is a report generated to confirm the backup SAN is in sync with the main SAN unless an error occurs. Should an error occur, EMC will contact the network analyst to notify DOW of the error and the fix performed by EMC. Environmental controls at the SAN include a backup power supply (UPS), FM 200 fire suppression system, and an air conditioning unit.

Production data resides on the Storage Area Network (SAN) and is read by and written to by the AS/400. The DOW has two backup processes: (1) a redundant backup SAN and (2) backup tapes. Full backups of the AS/400 production data files are processed daily, after batch processing. In addition, an incremental backup of on-line or transaction data is performed daily, before batch processing. All daily tapes are written to a tape monthly and are retained for seven years. A full backup of data and AS/400 critical files including program files, configuration files, security files, operating systems, and folders is performed each week on Friday and stored off-site for one week. An AS/400 full system backup, including the SAN, is performed monthly. The monthly backup is stored off-site for one month and then returned to the computer room for the remainder of the three month retention period.

System logs are produced and distributed to information systems personnel on a daily basis. The logs indicate whether nightly backups completed successfully and list any errors that occurred during the backup process. Information systems personnel are responsible for resolving these errors to help ensure backups are completed in a timely manner.

The R-Tape Listing/Inventory report is generated online to track the current location of the backup tapes. Information systems personnel review this report to help ensure the correct tapes are being rotated to the correct storage location.

The DOW is prepared to switch from the main SAN in the DOW computer room to the backup SAN at the off-site facility. The DOW maintains a hardware/software agreement with IBM which covers maintenance and replacement costs of equipment should a hardware failure occurs. The agreement details the machinery eligible for onsite repair/exchange services, 7 days a week, 24 hours a day.

Production or network problems are automatically logged on the AS/400 report called "QEZ Debug." This report is retained online for one week. Operators are required to manually document job status and significant ABENDS on an incident report. The documentation includes a description of the problem and the corrective action taken. Each shift reviews the previous incident report and documents unresolved problems before beginning processing.

Production problems are initially handled by the operator using the procedures within the operations run book. If this fails, the programmer on-call is contacted via a beeper for resolution of the problem. The data processing supervisor is notified if the programmer on-call cannot resolve the problem. Emergency changes to the control language or program code are administered in an emergency library. Access to the emergency library is restricted to operators and programmers. The following day these changes are documented through normal change control procedures. Programs in the emergency library are deleted on a daily basis.

The only changes made to the operating system are vendor upgrades and patches specified and provided by IBM. The data processing supervisor applies all patches and upgrades in coordination with IBM and follows the guidelines provided by the vendor. Testing of the upgrade or patch is completed in the test environment to confirm the operating system has been installed correctly. A full-system backup is performed before and after the upgrade is installed in the live environment. Documentation for the patches and upgrades is filed in case a system malfunction occurs. The DOW maintains a hardware/software agreement with IBM covering maintenance and upgrades to the operating system.

FINANCIAL APPLICATION CONTROLS

Billing and Payment System

Meter Reading and Billing

Individual meter readings are performed on a quarterly basis for each customer. Hand-held computers, called Road Runners, and laptop computers are used for meter reading. The Road Runners and laptops interface with a vendor purchased application, Datamatics, on a Windows 2003 file server. The Datamatics application interfaces with the in-house developed billing application which runs on the IBM AS/400.

There are three types of meter reads:

- Daily meter reads are performed for residential and commercial customers using the Road Runner devices.
- Inspection meter reads are performed by inspection meter readers for daily readings which do not pass tolerance tests for consumption. Meter data is entered into laptop computers.
- Collection meter reads are required for delinquent accounts. The data is entered into laptop computers by collection meter readers.

The Meter Reading Department prepares an annual master schedule of meter reads per route. The master schedule comprises 91-day read cycles for each route. Based on this master schedule, a three day route schedule is keyed into the system each day. The unit supervisor completes a job request form and submits it to the IT department to produce the meter "book." The following day, the unit supervisor reviews the transaction report from the IT Department to confirm the correct meter data was obtained. Meter route information from the billing application is downloaded from the AS/400 to the Datamatics system on the Windows 2003 Server.

Using the three day sequence schedule, the daily routes for each meter reader are downloaded from the Datamatics system into the individual Road Runners and laptops. The routes downloaded to the meter reading equipment cannot be altered by the meter readers. The meter readers can key in the reading information and make corrections if necessary, but they cannot add or delete accounts on the scheduled route. Each meter reader receives a daily meter route.

Daily Meter Reads

On a daily basis, meter readers key in the water usage for each meter into the Road Runner. A tolerance test occurs at the Road Runner level for a range of difference between the current and previous reads. Unless it is overridden by the meter reader, the entry will fail until it is within the acceptable range.

Road Runners are first reviewed by the meter readers to ensure all accounts were read. Field supervisors then check the Road Runners for blanks, the number of locks, and the number of pumps (manhole covers). Locks result from inaccessibility to the meter (i.e. an irate customer, a fenced in yard, a vicious dog). The meter reader supervisor also checks the Road Runners for blanks before the upload to Datamatics.

Skip codes are entered for each blank which results in the account being investigated and rescheduled for another meter reading. If an account is still blank after review by the above individuals, it will eventually show up on the Accounts Not Billed report and will subsequently be scheduled for a reading. At the end of each business day, data keyed into the Road Runners is uploaded to Datamatics.

After the upload, the Datamatics system generates the Routes Received from Road Runners report. This report is sorted by route number and lists the number of meters scheduled to be read, the number of meters actually read, and the number of meters skipped. This report is checked against the Batch Control & Error Transactions report generated from the billing application after data is uploaded to the AS/400.

IBM AS/400 - Tolerance Tests:

Tolerance tests are performed on the meter data after it is transferred to the AS/400. Tests are performed to check the reasonableness of the consumption amount. Tests are also performed to ensure that consumption occurred only on active accounts.

When an account fails the tolerance tests, a record is written to the Nightly Reports File. A meter ticket is produced from the Nightly Reports File. The meter tickets are reviewed the next day to determine whether the account should be resubmitted for billing or for another meter read. If a re-read is necessary, an investigation tolerance ticket is produced from the meter ticket information. Those accounts are tagged from the Nightly Reports File so they may be downloaded to Datamatics.

If the tolerance tests are passed, the meter reads are processed in the billing application.

IBM AS/400 - Validation Tests:

During the batch routine to update the billing application, two types of edit checks occur:

- Validity Checks - Checks for invalid data such as month out of the range of 01 through 12, day out of range of 01 through 31, non-numeric data in a numeric field, etc.
- Logic Checks - Checks for logic errors such as customer sequence not equal to transaction and master files, sub-meter consumption greater than main meter consumption, read date equal to or before the last read date, etc.

Validation failures get logged to the Nightly Reports File.

IBM AS/400 – Nightly Reports File:

The Nightly Reports File on the IBM AS/400 is used to record all data that will eventually be reported. Some of the more significant reports produced from the Nightly Reports File include:

Billing Department:

- *Water and Sewer Bills*
- *Daily Water-Sewer Billing Register (WSG07030)* - Lists all bills generated from the nightly processing. Information includes account number, service dates, bill amount, and arrears.
- *Master List of all Bills (WSG07104)* - Report is provided in two sort orders, once by sequence number, and once by account number.

Meter Reading Department:

- *Meter Tickets* - Used for manual review of exceptions. Meter tickets are disposed of on a daily basis after the account with the error has either been sent through for billing or sent out for another meter read.
- *Error Report (WSA02070)* - Sorted by batch number and account number and lists accounts which did not pass the validation tests.
- *Batch Control Report (WSA02020)* - Lists all transactions processed during the batch update from the previous evening. It includes all meter read transactions that were successfully uploaded to the billing application. Information includes: account numbers, meter read date, and amount of water consumption. Billing information is not included on this report.
- *Accounts not Billed within Cycle Code* - This report is only produced on Tuesdays and is a cumulative report of un-billed accounts. Accounts remain on this report until a read is taken. Three versions of this report are produced – Active Accounts Only (WSG07232), New Accounts Only (WSG07233), and Non-Active Accounts (WSG07234).

Inspection Meter Reads

Inspection meter reads are performed by inspection meter readers using laptop computers. Daily meter reads which do not pass the tolerance tests are dumped to a Nightly Reports File. The meters are tagged from the Nightly Reports File and are downloaded to the Datamatics application where they are then downloaded to the laptops. The Meter Reading Department reassigns about sixty of these meters to each inspection meter reader. The inspection meter readers will revisit the meters and will record the water usage information. The inspection meter reads are uploaded to the Datamatics application at the end of the business day and follow the same process as the daily meter reads.

Inspection meter reads are also performed by customer request. Final inspection meter reads are performed whenever there is a change of ownership. Both of these readings are for informational purposes only and do not produce a bill.

Collection Meter Reads

Collection meter reads are required for delinquent accounts and are performed by collection meter readers using laptop computers. Meters to be read are scheduled through Datamatics.

The billing application on the AS/400 generates a 15-day notice to the customer indicating the meter will be turned off within 15 days due to failure to pay. After the 15 days, a three-day notice is generated and sent to the customer. When the meter reader goes to the site, they will turn off the meter if it is accessible. If not, they will leave another three-day notice indicating they will return in three days.

If a meter has been turned off for more than two weeks, it is scheduled to be re-read in order to update the meter status (i.e., unoccupied residence).

Billing Procedures

Rate Authorization

Water Rates

Cleveland City Council approves water and fire line rates. Water rates for suburbs are prorated based on elevation. The three levels are low and 1st high, 2nd high, and 3rd high. The City of Cleveland has only one water rate. Beginning January 1, 2007, there is no minimum consumption charge for water.

Sewer Rates

The NEORS D rates are approved by the regional sewer board. Local rates are set and approved by local city councils. Charges for sewer are based on water consumption times the sewer rate. Customers serviced by NEORS D receive separate bills from the DOW for water and sewer. Customers serviced locally for sewer receive one bill containing both the water and sewer charges.

Fire Lines

Fire line rates are established by Cleveland City Council and are billed at a flat rate regardless of usage.

Customer Service Charge

Effective January 1, 2007, the DOW began assessing a \$7.00 quarterly customer service charge to all accounts to recover the costs of meter reading, billing, remittance and other customer service activities. Previously, the DOW attempted to recover these expenses by imposing a minimum consumption amount. This minimum consumption amount has been eliminated and replaced with the customer service charge.

Rate Confirmation

In March 2007, the DOW attempted to confirm the rates in the billing system with the authorizing agent for a selection of municipalities. DOW had the authorizing agent sign a green card to acknowledge receipt of the confirmation letter upon hand delivery of the letter and the supplemental reports listing accounts for that municipality. Responses were sent to Utilities Fiscal Control to be filed in the agent's file. Copies were also sent to the Billing Department.

Rate Change Procedure

Rate ordinances are received and forwarded to the commissioner of Utilities Fiscal Control. The Utilities Fiscal Control manager prepares the control sheet (Water/Sewer Rate Change Procedures and Control Sheet) and signs and dates an acknowledgement statement.

The following information is included on the control sheet:

- Entity requesting the change.
- Ordinance number.
- Date of ordinance.
- Date received by the Commissioner of Utilities Fiscal Control.
- Effective date of the rate increase.
- Old rate.
- New rate.

The control sheet is attached to the rate ordinance. The control sheet and ordinance are forwarded to the billing department to update the rate in the system. The administrative manager and the assistant administrator of the billing department are the only individuals authorized to enter new billing rates for water and sewer and fire lines into the system. These individuals perform testing to ensure the rates were entered correctly and billed amounts are accurately calculated using the new rates. The administrative manager or the assistant administrator of the billing department then signs and dates an acknowledgement statement on the control sheet and forwards the control sheet and ordinance to the assistant commissioner of customer account services for final verification. The assistant commissioner signs and dates an acknowledgement statement on the control sheet and forwards to the completed control sheet and ordinance back to Utilities Fiscal Control to be filed in the entity's file.

Billing Process

All water and sewer bills are delivered to the Billing Department on a daily basis. A Daily Sales Register (WSG07030) and a Master List of all Bills (WSG07104) are also produced with each billing run. A Billing Department clerk reviews the Daily Sales Register for appropriateness. Meter changes are reviewed carefully to determine whether an adjustment to the customer's bill is required. This normally occurs when the prior reading was an estimate because the external meter did not advance. When the new meter is installed, the reading is taken from the meter in the basement which is accurate and the bill is adjusted accordingly. The report is also reviewed for the appropriateness of billed amounts, correct dates, and unusually high homestead amounts. The Daily Sales Register is disposed of daily. After review, the water and sewer bills are sent to the Mail Department for mailing.

Adjustments to water and sewer bills are performed either by the Accounts Receivable Department or the Billing Department depending upon the nature of the adjustment. All non-monetary adjustments, such as adjustments to water consumption, are made in the Billing Department and an adjusted bill is mailed the next day. Monetary adjustments are initiated in the Billing Department and are sent to the Accounts Receivable Department for entry. A monetary adjustment might occur if, for instance, the account is located in Olmstead Township, but was billed as Olmstead Falls.

Master Meter and Emergency Stand-by Accounts

Master meter accounts are for communities that buy water from the City of Cleveland, but have their own distribution systems. Master meter communities include: Bedford, Chagrin Falls, Cleveland Heights, East Cleveland, Lakewood, and Geauga County. Accounts also exist for emergency stand-by suburbs that purchase water from the city only in emergency situations. Those communities include: Berea, Lake County, Lorain County, North Ridgeville, Medina County, Brunswick Hills, Summit County, Hudson Village, and Portage County.

Master meters are read every 15 days to ensure they are working correctly. Readings are recorded in books maintained by the meter reader. Master meter suburbs are billed monthly. Readings from the books are entered into a spreadsheet by the assistant administrator of the Billing Department. Bills are manually generated. Master meter communities bill their respective consumers. Emergency suburbs are billed for water only when used.

New Account Set-up

The Permits and Sales Department is responsible for issuing all permits and collecting fees for services provided by the Division of Water. An account is established within 24 hours of the sale of a meter. The customer service representative in Permits and Sales enters the permit information into the system. Accounts are not billed until they have been sequenced by the Meter Reading Department. A five-part form is used to record the permit information. The five parts are distributed as follows:

- Part 1 - Filed in the permit books maintained in the Permit and Sales Department.
- Part 2 - Retained by the customer service representative in Permits and Sales who entered the information into the system.
- Part 3 - Sent to General Accounting.
- Parts 4 and 5 - Sent to the Distribution Yard for scheduling meter installations.

The Report of New Accounts List (WSG08090) is delivered on a daily basis to the Permits and Sales Department. The permits (part 2) are used to manually verify the accuracy of information on the Report of New Accounts List. The report is filed in the Permits and Sales Department. The report is also delivered to the Meter Reading Department on a daily basis for the purpose of sequencing the accounts. These accounts do not get read until the account becomes active. It is possible for a developer to purchase permits for a development, but until the house is built and the meter is installed, the account is inactive. Meter readers are responsible for checking houses on their routes that may be new to ensure the account has been activated.

Security Administration - Application Level

CICS Transaction Level Security (Billing Application System)

Transaction level security restricts access to specific functions in the billing application. The assistant commissioner for Customer Account Services is responsible for establishing security at this level, and the project director in the Customer Accounts Services is responsible for maintaining the security.

A Security File Print report (WSU04020) is received monthly and is compared to a payroll report each month by the project director to confirm each account is valid. This report lists the employee number, password, and functions accessible by the employee.

Datamatics Security (Meter Reading Application System)

Application level security for the Datamatics application has been established via groups. The groups established include meter readers, collections, and inspections. Each group has been assigned privileges based upon their job function.

The unit supervisor and the assistant administrator, both in meter reading, are responsible for maintaining security at the application level.

Payments

The DOW allows customers to make utility payments through a number of different channels. Payments can be made in cash or by credit card at the utility building on Lakeside Avenue, less than 10 percent of total payments are made by this method. Customers can mail their payments to the DOW or pay at banks and other payment locations such as drugstores and check cashing stores. In addition, customers can arrange with DOW for automatic debit of their bank accounts or may use their computer or phone to authorize payment from their bank directly to the DOW. The DOW has also contracted with National City Bank for lock box services for its larger clients and master meter accounts.

DOW Cashiers Department

Cashiers receive water and sewer payments from walk in customers at the 1201 Lakeside Building. The cashiers are the only individuals throughout the payment process who are authorized to receive cash. Cashiers are responsible for balancing their daily receipt totals individually.

At the end of the business day, each cashier prepares a batch control sheet indicating the amount of checks and cash payments received during the day. The principal cashier reviews the batch control sheet for accuracy. The principal cashier double checks the total amount of cash and checks to be deposited. All of the cash and checks are placed in a locked bag and are taken by a security guard to the Department of Treasury in City Hall. At the Department of Treasury, the cash and checks are recounted, the deposit slip is prepared and the deposit is sent to the bank. The stubs are sent to the Cash Receipts Department for processing. The DOW uses a 9500 Banctec Remittance Processing System to process payments. This system reads the account and balance information as the stubs are scanned through the machine. The batches processed by the Banctec system are compared to the cashiers' control sheets.

Security cameras have been placed throughout the cashier area. The cameras capture all activity on tape for later review if necessary. In addition, the assistant administrator is able to view the activity in the cashier area cameras through a PC.

DOW Cash Receipts Department

Mail Receipts - The Cash Receipts Department processes water and sewer payments received by mail. Mail is first sorted into two categories, agency and postal delivery. Postal delivery mail is further sorted by envelope type. The agency mail is sorted into three categories: banks, payment locations, and pay-by-phone (Huntington Bank).

Mail is opened using an electronic mail opener. All mail classifications above are kept separate during this process. A Cash Receipts Department staff member extracts the contents of each envelope, checking for payment and stubs. Another staff member examines the receipts and compares the stub with the payment. This individual sorts the payments into five payment groups:

- Full payments
- Partial payments
- Multi payments
- Over \$250 payments
- Unscannable stub payments

Full payments are processed by the 9500 Banctec Remittance Processing System. Stubs and checks are scanned through the machine. The machine stops if a stub of \$250 or more is scanned and asks the operator to "accept" or "skip" the payment. Most payments of \$250 or more are not automatically run through the Banctec, but are hand keyed. The only large payments that are run through the Banctec Remittance Processing System are those that are received from agencies.

Multi payments and partial payments are also hand keyed. Whenever a payment does not equal the account balance the payment must be keyed in twice. Once for the amount of the payment and then reverse keyed for the same amount to prevent inaccurate data entry. For example, if the payment amount is \$25.00, the first entry would be 2500 and the second (reverse) entry would be 0052.

The Cash Receipts Department prepares a transaction input sheet for unscannable stub payments. These sheets include the number of stubs and the total dollar amount of all stubs. The Cash Receipts Department data conversion operators then manually key in the payments.

Agency payments - Agency payments consist of payments from banks and payment locations that act as agents for the DOW and accept utility payments from customers. These agents, in turn, remit the payments to the DOW by issuing their own checks for the total daily receipts. Customer payment stubs are also sent to the DOW to support the total amounts. The stubs are run through the Banctec system scanning

machine. Batch totals calculated by the Banctec system are compared against the checks received from the agents. Discrepancies are investigated and reviewed immediately.

All checks received by the Cash Receipts Department are sealed in a deposit bag. A security guard picks up the deposit bags and delivers them to the Department of Treasury in City Hall where a deposit slip is prepared and the Department of Treasury takes the deposit to the bank.

The Cash Receipts Department receives daily account statements from the Department of Treasury for EZ Pay, lockbox, and direct deposit transactions.

EZ Pay Method - Customers can make arrangements to pay water and sewer bills by allowing DOW to automatically deduct the quarterly payments from their bank accounts. On a weekly basis, DOW generates a listing of EZ pay customers with payments due for the following week. This register is downloaded to an electronic file and is sent to National City Bank, usually on Fridays (for the following week's payments). Based on this register, National City Bank will debit the accounts of the listed customers, and deposit the stated payments to DOW's account, for the days listed on the register. National City Bank notifies the Department of Treasury of the daily transactions made against the city's accounts. The Department of Treasury then sends a daily account statement to the Cash Receipts Department, listing all the bank transactions that occurred that day. The Cash Receipts Department compares this account statement against the weekly register, to ensure that all payments due via the EZ Pay method were deposited to DOW's account on the specified days.

The DOW sends payment stubs to EZ Pay consumers to inform them of the total amount due and the date when payment will be deducted from their accounts. Consumers generally receive payment stubs about 10-15 days before the due date, to allow them to dispute the payment due amount, or to ensure the sufficient funds will be in their bank accounts by the withdrawal date. In the event the consumers do not have sufficient funds in their bank accounts, National City Bank will deposit the amount to the DOW and then issue a separate debit/deposit correction which will adjust the DOW's account accordingly.

Lockbox and Direct Deposit Methods - The DOW uses the lock box services of National City Bank for payment of large commercial accounts. In the direct deposit method, customers use their computer or telephone to pay their utility bill. For payments received via lockbox and direct deposit, DOW receives a daily report from the banks showing the control totals of the daily receipts and deposits made to DOW's bank account. DOW also receives the payment stubs for lock box payments which are run through the Banctec system. The batch totals calculated by the Banctec system are balanced to the bank deposit totals. Smartel/Huntington Bank (Pay by Phone) does not send stubs, but sends a fax with all of the accounts and a copy of the deposit slip.

Balancing - The Cash Receipts Department reconciles all of the cashiers tapes, mail, agency, direct deposit and lockbox totals to the total deposit each day. The reconciliation detail is summarized on a daily "control sheet."

DOW Accounting Department

Warrant Processing - The Cash Receipts Department sends calculator tapes (for the total mail and agencies), direct deposit reports (for the lockbox and direct deposits), and cashier balancing reports (for cashier totals) to the Accounting Department. The Accounting Department prepares a warrant based on this information from the Cash Receipts Department. The warrant is a receiving document instructing the city to enter the amount of cash and checks received into the general ledger system. The warrant is picked up by the security guard when he/she picks up the deposit bags from the Cashiers and Cash Receipts Departments.

City of Cleveland Department of Treasury

Deposits - The Department of Treasury at City Hall receives the deposit bags with the cash and checks from the Cashiers Department and the deposit bags with checks only from the Cash Receipts Department. The Department of Treasury also receives the warrants and tally sheets. Tally sheets are calculator tapes of the cash and checks by individual cashier or batch. Cash is recounted and agreed to the amount recorded on the tally sheet for each cashier. The total cash is added to the total amount of checks and this amount is agreed to the warrant prepared by the Accounting Department. The deposit is taken to the bank by a member of the City Department of Treasury staff. Deposits are made on the date received.

DOW Accounts Receivable Department

Accounts Receivable - The assistant administrator of accounts receivable receives the daily control sheet prepared by the Cash Receipts Department and compares it to an online billing system report of receipts (WSD33). When the assistant administrator of accounts receivable is satisfied the information on the WSD33 report is correct, a 'go' command is issued to apply the payments to the customer accounts. A final WSD33, which includes totals for each batch and the grand total uploaded to the AS/400, is printed and compared to the control sheet received from the Cash Receipts Department.

The Accounts Receivable Department balances daily. The beginning accounts receivable balance less the total amount processed is reconciled to the new accounts receivable balance. Reports used in this process include report 2020 (individual accounts processed in the Billing System), report 2070 (transactions that did not pass validation checks) and report 7070 (shows the actual application of payment against the customer accounts). The same process is performed monthly using monthly reports of the same information.

Distribution

The DOW remits sewer payments to North East Ohio Regional Sewer District (NEORS) and other sewer communities on a monthly basis. The Accounts Receivable Department prepares the Assessments and Local Charge Remittance Schedule on a monthly basis. The schedule is prepared on a spreadsheet, using various reports from the Billing System. The schedule details, per city, the number of accounts billed, total cash receipts, total bad checks, total refunds and transfers, total carryovers, total invoices, and the net remittance to be made for the month. The accounting supervisor of accounts receivable and the finance controller review the schedule for completeness and accuracy.

After the schedule is reviewed and approved by the accounting supervisor of accounts receivable, it is forwarded to the Accounting Department for preparation of the remittance voucher. The voucher is approved by the commissioner of fiscal control and is sent to the Department of Treasury, where the disbursement of funds to NEORS and municipalities will be made.

The total monthly remittance per city is net of billing fees charged by the DOW. The total monthly remittance to the NEORS is gross; the billing fees are invoiced separately.

A few days before sending the actual remittance, the DOW sends remittance letters to NEORS and municipalities to notify them of the monthly remittance amount and details of the monthly receipts.

USER CONTROL CONSIDERATIONS

The DOW Billing and Payment system was designed with the assumption that certain controls would be implemented by user organizations. This section describes additional controls that should be in operation at the user organizations to complement the controls at the DOW. User auditors should consider whether the following controls have been placed in operation at user organizations:

- User organizations should confirm the sewer payments per the statement sent by the DOW are equal to the amount distributed to their organization.
- User organizations should respond to rate confirmation requests sent to them by the DOW.

The user organization control consideration presented above does not represent a comprehensive set of all the controls that should be employed by user organizations. Other controls may be required at user organizations.

SECTION III - INFORMATION PROVIDED BY THE SERVICE AUDITOR

This section is intended to provide interested parties with information sufficient to obtain an understanding of those aspects of the DOW's internal control that may be relevant to user organization's internal control, and reduce the assessed level of control risk below the maximum for certain financial statement assertions.

The broad objectives of data processing controls should be achieved by a combination of the procedures that are employed in various segments of the transaction processing system for example procedures performed at the DOW and procedures performed at user organizations which utilize the DOW.

For each of the control objectives listed below, only those controls which contribute to the attainment of the related control objective are described and were tested.

GENERAL EDP CONTROLS PLACED IN OPERATION AND TESTS OF OPERATING EFFECTIVENESS

Overall Operation of the IT Function

Overall Operation of the IT Function - Control Objective: IT Personnel - IT personnel should have the appropriate knowledge and experience for the complexity of the IT environment.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
An organizational chart has been developed to communicate the roles and segregation of duties for the IT Department.	Inspected the organizational chart to confirm the organizational structure of the IT Department is defined.	No exceptions noted.
Job descriptions are used for IT staff to communicate individual employees' responsibilities within the IT Department.	Inspected the job descriptions and compared them to the organizational chart for IT staff to confirm staff members have defined responsibilities in the job descriptions.	No exceptions noted.
The DOW uses the personnel policies and procedures manual of the city to guide employees in the performance of their duties. The manual addresses issues related to leave time, benefits, computer usage, salaries, holidays, etc.	Inspected the City of Cleveland Department of Public Utilities employee policy guidelines.	No exceptions noted.
Continuing education is provided to DOW IT employees	Inspected documentation of continuing education received by employees for evidence training was provided to employees in technical subjects related to their area of expertise.	Of the 60 employees on the IT department organization chart, 53 have technical responsibilities. Of the 53, 30 attended continuing education classes.

Overall Operation of the IT Function - Control Objective: IT Planning - IT strategy should be consistent with the overall strategy of the organization.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
An Information Architecture Committee, comprised of individuals from the IT staff and all other departments within the Department of Public Utilities, meets throughout the year to monitor information systems.	Inspected the minutes from the Information Architecture Committee to confirm information system projects are monitored.	The Information Architecture Committee has not met since August 2007. The DOW is in the process of creating a new IT Governance Committee that will begin meeting in 2008.
The DOW developed an IT Plan to address concerns and issues with emerging technology. The plan covers the period 2002 through 2006.	Inspected the IT Plan to confirm technology concerns are being addressed by DOW in their planning process.	The IT Plan has not been updated since 2003.
The DOW developed a business strategic plan for 2003-2007. A draft version of the business strategic plan has been prepared for 2008-2012.	Inspected the business strategic plan for 2003-2007 and the draft business strategic plan for 2008-2012 to confirm DOW addresses long range strategies in their planning process.	No exceptions noted.
The assistant manager of applications development and technology support (infrastructure) tracks and plans the duration of various network group projects that support information systems projects.	Inspected the network group project listing and confirmed the listing includes projects covering the period 2004 through 2008.	No exceptions noted.
The Operational Efficiency Task Force meets to discuss operational issues. This task force recommended a comprehensive IT Plan be prepared during 2008.	Inspected an excerpt of the Operational Efficiency Task Force minutes to confirm a recommendation was made for the DOW to prepare an IT plan during 2008.	No exceptions noted.

Development and Implementation of New Applications and Systems

Development and Implementation of New Applications and Systems - Control Objective: Project Management – Project management should ensure appropriate control over the design and implementation of new applications or systems.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>The DOW has selected a “core team” to oversee the project management and integration process. This team is comprised of DOW and NEORS D staff. The team meets weekly to discuss the following project points:</p> <ul style="list-style-type: none"> • Project progress. • Vendor evaluations. • Vendor references. • Product demonstrations. • Site visit planning. • Scheduling updates. • Training plans. • Data cleansing. • Business case review. • Fit/Gap session review. 	<p>Inspected a list of “core team” members.</p> <p>Inspected the CIS/CRM implementation project minutes and confirmed meetings were held weekly and addressed the project points outlined in the control procedure.</p>	<p>No exceptions noted.</p>
<p>The project manager monitors the integrator’s task progress and submits monthly reports to the DOW. These reports are prepared using a standard format and contain the following sections:</p> <ul style="list-style-type: none"> • Overall status/accomplishments. • Project activities/details. • Issues for resolution. • Scope changes. • Work plan changes. 	<p>Inspected the integrator’s progress reports to the project manager and the DOW and confirmed they include the project progress using the standard format.</p>	<p>No exceptions noted.</p>

Development and Implementation of New Applications and Systems - Control Objective: Project Management – Project management should ensure appropriate control over the design and implementation of new applications or systems.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Application attribute reviews called “fit/gap sessions” are conducted to help ensure the new CIS/CRM application meets DOW requirements and specifications. The objective is to identify gaps (differences) between the current process/application and the new application.</p> <p>These sessions started in November 2007 and are scheduled through January 2008 to address the following areas:</p> <ul style="list-style-type: none"> • Permits. • Meter Management. • Meter Reading. • Field Orders. • Billing. • Payments. • Adjustments. • Rates. • Credit and Collections. • Financial Transactions. • Auditing. • Reports. • Workflow Management. • Case Management. • Interfaces. • System Security. 	<p>Inspected the fit/gap schedule and the meeting notes from the December 5, 2007 session on permits.</p>	<p>No exceptions noted.</p>

Development and Implementation of New Applications and Systems - Control Objective: Design/Selection of Applications and Hardware Systems – Applications and Hardware Systems should be appropriately designed/selected to achieve business and application control requirements (including access security)		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>The DOW followed the Request for Proposal (RFP) process to aid in the selection of vendors that provide IT related services.</p>	<p>Inspected the RFPs for the following services:</p> <ul style="list-style-type: none"> • Project management services. • Integration services. • Printing and mailing of utility bills. • Hosting and managed services. <p>Confirmed the RFPs clearly identify the proposal process and the requirements for those wishing to submit a proposal.</p>	<p>No exceptions noted.</p>
<p>The DOW prepared an RFP for integration services for the new CIS/CRM project. The RFP included the following requirements:</p> <ul style="list-style-type: none"> • The application selected has been used in other water utilities of approximately the same size and complexity as the DOW. • The integrator firm and the integrating firm's manager are qualified and experienced in the implementation of a CIS/CRM for water utilities. • The integrator's project staff remained stable throughout the project and any changes are agreed upon by the project manager in advance. 	<p>Inspected the integration services RFP and noted requirements for use in similarly sized water departments, manager qualifications, and a stable staff.</p> <p>Inspected the integrator's proposal and noted project and staff references are included.</p> <p>Confirmed there has been no staff turnover with the assistant manager of application development and technology support (infrastructure).</p>	<p>No exceptions noted.</p>

Development and Implementation of New Applications and Systems - Control Objective: Design/Selection of Applications and Hardware Systems – Applications and Hardware Systems should be appropriately designed/selected to achieve business and application control requirements (including access security)		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Feasibility studies were conducted to develop the requirements of the RFP, and involve administration and users from all departments affected by the new software.	<p>Inspected the Customer Information System (CIS) Requirements Spreadsheet to confirm the individual departments were involved in the requirements for the new software.</p> <p>Inquired with the administrative manager of billing, meter reading, and permits and sales, regarding the involvement of users in the requirements process.</p> <p>Inspected the Information Architecture Committee minutes for evidence of planning and user involvement in the requirements process.</p>	No exceptions noted.
The DOW used a project management company to assist with the selection and implementation of new software.	Inspected documentation from the presentation made by the project management company which gave their company background as well as the initial plans for selection of the new CIS software.	No exceptions noted.
<p>A scoring methodology was used to select the integrator who will perform the integration services, including delivering a fully functional CIS/CRM solution. The scoring methodology included the following:</p> <ul style="list-style-type: none"> • Proposal evaluation. • Product demonstration. • Features and functions. • References. • Cost. • Profile. • Methodologies. • Experience. <p>A contract for integration services was approved by the DOW.</p>	<p>Inspected the integrator selection and approval checklist to confirm the scoring methodology was used to evaluate integrators.</p> <p>Inspected the agreement between the integrator and the DOW.</p>	No exceptions noted.

Development and Implementation of New Applications and Systems - Control Objective: Design/Selection of Applications and Hardware Systems – Applications and Hardware Systems should be appropriately designed/selected to achieve business and application control requirements (including access security)		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
An on site examination of the new application was conducted by the DOW before the final selection of the application was made.	Independently inquired with the manager of applications and the assistant manager of application development and technology support (infrastructure) to confirm they observed the operation of the new application at another site prior to making the final decision to select the application.	No exceptions noted.

Development and Implementation of New Applications and Systems - Control Objective: Training and Documentation – Users and IT staff receive appropriate training when their responsibilities are impacted by application development and implementation. In addition, technical documentation should be provided to support ongoing operations, problem resolution and future application maintenance.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Initial product training was provided to the DOW core team, power users and the project manager to help ensure the project team is competent in performing their assigned duties on the project. A Core Team Orientation Guide provides a high level overview of the CC&B system. The CC&B Functionality for Implementers Student Guide acquaints the core team with key features of the system.	Inspected the integration services RFP for training requirements. Inspected the list of core team training participants. Independently confirmed attendance with the manager of applications and the assistant commissioner of customer account services. Inspected the training manuals provided to the core team training participants. Inspected the on-line user manual in the new Oracle CC&B application.	No exceptions noted.

Changes to Existing Applications or Hardware Systems

Changes to Existing Applications or Hardware Systems - Control Objective: Change Requests - Requests for application program changes or system upgrades should be appropriately considered and processed.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Problem Description and Resolution forms are completed for all requests which result in the modification of application source code.</p> <p>The Problem Description and Resolution forms document the programmer assigned, problem description, and problem resolution.</p>	<p>From a library listing of source programs, identified all programs modified during the audit period. Selected 25 of the 184 programs modified during the audit period.</p> <p>Inspected the Problem Description and Resolution Form for the 25 programs selected and inspected the documentation for appropriate approvals.</p>	<p>No relevant exceptions noted.</p>
<p>A Programming Project Log is maintained to track all Problem Description and Resolution forms.</p>	<p>Inspected the Programming Project Log and traced the 25 programs selected in the test above to the log.</p>	<p>No exceptions noted.</p>
<p>Datamatics, vendor for the meter reading system, provides 24 hour support on both the hardware and software. The DOW maintains a support agreement with Datamatics for these services.</p>	<p>Inspected the vendor service agreement to confirm all changes are handled by the vendor.</p>	<p>No exceptions noted.</p>
<p>Operating system upgrades are handled by the vendor, IBM. There were no upgrades during 2007.</p>	<p>Inspected the maintenance agreement with IBM to confirm it is current and to identify any upgrades to the operating system during the audit period.</p>	<p>No exceptions noted.</p>

Changes to Existing Applications or Hardware Systems - Control Objective: Testing of Program Changes or Hardware System Upgrades - Program changes and hardware system upgrades should be tested to ensure that they achieve the business' requirements and do not negatively impact existing processing.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Programmers are required to sign off on the Program Change Log to indicate testing has been completed. User sign-offs are obtained on the Program Change Log to indicate their acceptance of the program change.	Inspected the 25 Program Change Logs for programmers' sign off and to confirm user sign-offs were obtained.	No exceptions noted.

Changes to Existing Applications or Hardware Systems - Control Objective: Documentation and Training - Technical documentation should be updated to reflect program changes and system upgrades. When changes to applications and system upgrades affect user procedures, documentation should be updated accordingly. Likewise, users and IT staff should receive appropriate training when their responsibilities are impacted by application changes or system upgrades.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The user manuals for the billing application are updated if the functionality of the application is altered due to a program change. The vendor for the meter reading application system provides manual updates when changes occur.	Inspected the current manual for the billing application and inquired with the supervisor of applications development to confirm the manual was up-to-date. Inquired with the assistant commissioner of the department of public utilities to confirm application manuals are available to DOW staff and are updated by the vendor as necessary.	No exceptions noted.
Documentation for program changes is maintained in the header of each source program.	Selected 25 programs of 184 programs changed and inspected the change description located in the header of each program.	No relevant exceptions noted.
Operating system manuals for the current OS are available to IT staff for reference.	Inspected the system operator's guide to confirm manuals are available.	No exceptions noted.

IT Security

IT Security - Control Objective: Security Management - Management should ensure the implementation of access control policies, which are based on the level of risk arising from access to programs and data.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
A security policy has been developed for the DOW. Acknowledgment forms are used to document user acceptance of the security policy and are signed by the department supervisor indicating authorization of a user account.	Using security analysis tools, selected 30 user accounts from a population of 219 enabled user accounts. Inspected the authorization forms for authorization signatures.	User acknowledgement forms were not on file for 6 of the 30 users selected for testing.
Application level access is confirmed on an annual basis by the assistant commissioner of customer account services. Each department head is requested to confirm each user's access to the billing application and the functions. The department head signs a confirmation form and provides documentation noting the access (inquiry or update) the user has to each function.	Inspected the confirmation request letters sent in November 2007. Independently inquired with the assistant commissioner of customer account services and the project director of customer account services about the confirmation procedures. Inspected confirmation forms for the following departments to corroborate user departments are confirming individual access: Assistant Commissioner, Collection Unit, Distribution and Maintenance, Customer Service, Billing, Fiscal Control, IT, Data Entry, Meter Reading, Engineering, Training, Quality Assurance, Permits and Sales, and NEORSD.	No exceptions noted.
The Security File Print report provided by the IT Department is reviewed monthly by the project director of customer account services to help ensure user access at the application level remains appropriate.	Inspected the "Security File Print" reports to corroborate user access is reviewed monthly.	No exceptions noted.

IT Security - Control Objective: Security Management - Management should ensure the implementation of access control policies, which are based on the level of risk arising from access to programs and data.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>The manager of applications receives notification of terminations from the Personnel Department throughout the year and uses that information to remove accounts for users who no longer work for the DOW.</p>	<p>Inspected a user listing from personnel of all inactive employees for the audit period. Inactive employees include those who are deceased, have retired or have been terminated. Compared this listing to the list of enabled user profiles from the AS/400 to confirm these profiles were either disabled or deleted.</p> <p>Haphazardly selected 10 user accounts from a population of 68 and inspected the termination notifications from the manager of applications to confirm he is being notified of inactive employees by personnel.</p>	<p>Seven of the 68 inactive employees from the personnel listing still had enabled accounts on the AS/400. Two of these were removed during field work.</p> <p>Three of the ten user accounts selected for testing did not have termination notifications on file.</p> <p>The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of enabled accounts.</p>
<p>Security audit reports are produced daily and are reviewed for the following security violations:</p> <ul style="list-style-type: none"> • Authority failures. • Object creation operations. • Object deletion operations. • Object management operations. • Restore operations. • Changes to security controls. • Spooled file controls. • System management activities. 	<p>Inspected the audit level and audit control system values to confirm the type of events logged in the audit journal.</p> <p>Inspected a copy of the automatic job scheduler and job details to confirm the frequency of report generation.</p> <p>Inspected the 2007 spreadsheet produced and utilized by the systems analyst to confirm the review of security audit reports is being logged.</p> <p>Discussed the review of security audit reports with the systems analyst and the help desk analyst.</p>	<p>Security reports have not been reviewed since September 2007.</p>

IT Security - Control Objective: System Level Access Controls - Access to the computer system, programs, and data should be appropriately restricted.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The IBM AS/400 system value requires the entry of user IDs and passwords for proper sign-on and restricts access to system resources.	Inspected the security system value to confirm the parameter has been set to require user IDs and passwords and to restrict the default access right of users.	Control operating as described.
Password system values for minimum length, maximum length, and expiration interval have been enabled to deter unauthorized access.	Inspected the password system values to confirm the values have been set according to the policies established by the DOW. In addition, inspected the Analyze Default Password Report to confirm the default passwords have been changed.	There are 50 enabled users who have not changed their password from the default password. The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of accounts with default passwords.
Security parameters have been enabled to restrict access to inactive workstations by timing out inactive workstations and ending inactive jobs once the terminal time is activated.	Inspected the system values that control terminal time outs to confirm the action to be taken after a period of inactivity.	Control operating as described.

IT Security - Control Objective: System Level Access Controls - Access to the computer system, programs, and data should be appropriately restricted.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Security parameters have been enabled to control and monitor sign-on attempts by:</p> <ul style="list-style-type: none"> • Limiting the number of sign on attempts. • Disabling the terminal and user IDs once the limit of sign on attempts has been reached. • Requiring validation of the user profile and password for remote sign-on requests. • Limiting the number of virtual device sessions. • Restricting security officer sign-on from any terminal. • Restricting multiple sign-on sessions. • Displaying last sign-on information to the user. 	<p>Inspected system value parameters related to sign-on attempts for reasonableness.</p> <p>Using security analysis tools, generated and inspected the following reports:</p> <p>Failed Logins: List of users with an invalid sign-on attempt counter greater than five. The invalid sign-on attempt counter is incremented each time a user attempts to sign-on with an invalid password (even if the user profile is disabled) and is only reset after a user successfully signs on.</p> <p>Disabled User Profiles: List of user profiles with a disabled status and/or the password parameter of *NONE = *YES.</p> <p>Expired Passwords: List of user profiles with expired passwords.</p>	<p>No relevant exceptions noted.</p>
<p>Group profiles are not used to log onto the system and special authorities are assigned based upon an individual user's job functions. Therefore, individual user profiles are used to restrict access rights.</p>	<p>Using security analysis tools generated and inspected the following reports:</p> <p>Special Authorities: List of user profiles with powerful special authorities. Inspected the assignment of special authorities for reasonableness.</p> <p>Group Profiles: List of group profiles which can be used to log onto the system. Inspected the report to confirm the use of group profiles is limited.</p>	<p>Nineteen accounts have security administration authority and 27 accounts have access to all objects. All of these consisted of IT Personnel accounts, application accounts, system accounts and one account for a consultant.</p> <p>The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of accounts with this access.</p> <p>No other relevant exceptions.</p>

IT Security - Control Objective: System Level Access Controls - Access to the computer system, programs, and data should be appropriately restricted.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
General users are not assigned to powerful user classes.	Using security analysis tools generated and inspected a report of users assigned to powerful user classes. Compared users with these assignments to the organization chart.	No exceptions noted.
Inactive user accounts are removed from the system.	Using security analysis tools, generated and inspected the following report: Inactive User Profiles: List of users who have not signed on in more than 90 days.	There were 215 users that had not logged in during the last 90 days. The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. As of December 2007 the manager of applications had removed or disabled some of the accounts leaving 106 users that had not logged in during the last 90 days. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of enabled accounts even further.
User account passwords must be changed on a periodic basis.	Using security analysis tools, generated and inspected the following reports: Password Does Not Expire: List of user profiles with no password expiration interval. User Password Expiration > System Value: List of user profiles with a password expiration interval not equal to 0 or -1.	Forty enabled accounts have passwords that do not expire. The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of accounts that do not have expiring passwords.
General users are restricted from accessing the command line.	Using security analysis tools, generated and inspected a report of users who can access the command line and change the defined initial program, initial menu, current library or the attention-key handling values.	No exceptions noted.

IT Security - Control Objective: System Level Access Controls - Access to the computer system, programs, and data should be appropriately restricted.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>AS/400 network attributes are used to control requests from remote systems as follows:</p> <p>The Job Action Network attribute has been set so that input streams are filed on the queue of network files for the receiving users. This prevents network jobs from running automatically.</p> <p>The Client Request Access network attribute has been set so that Client Access programs on the system verify normal object authorities for any object requested by a PC program.</p> <p>The Distributed Data Management access network attribute has been set so that remote requests are controlled by the object authority on the system.</p>	<p>Inspected the following network attributes:</p> <p>Job Action Network - determines how the system processes incoming requests to run jobs.</p> <p>Client Request Access - determines how the Client Access licensed program processes requests from attached personal computers to access objects.</p> <p>Distributed Data Management Access - determines how the system processes requests from other systems to access data using the distributed data management (DDM) or the distributed relational database function.</p>	No exceptions noted.
<p>Access from the Internet is controlled with the use of a firewall.</p> <p>Statements have been entered into the configuration to control the outgoing IP traffic and restrict traffic entering the network.</p>	<p>Inspected the network diagram to confirm the components of the network which control Internet access.</p> <p>Inspected the firewall configuration online to confirm IP traffic must flow through the firewall.</p>	Controls operating as described.
<p>The firewall configuration is password protected.</p>	<p>Observed the telecommunications technician gain access to the firewall.</p>	No exceptions noted.
<p>The internal network uses an addressing scheme unable to be used over the Internet.</p>	<p>Inspected the firewall configuration online to confirm statements indicate the existence of a private network. Inspected a ping sweep of the internal network.</p>	No exceptions noted.

IT Security - Control Objective: System Level Access Controls - Access to the computer system, programs, and data should be appropriately restricted.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Network documentation supports the firewall security access rules.	Inspected the firewall configuration online. Inquired with the telecommunications technician regarding specific settings within the firewall configuration.	No exceptions noted.
Remote access to the system is controlled by user ID and password.	Inspected the network access control policy settings to confirm active directory is the source of user accounts. Inspected the active directory default domain password policy to confirm passwords are required. Physically observed the telecommunications technician attempt a remote access login using both an incorrect and correct password.	No exceptions noted.

IT Security - Control Objective: System Software and Utilities Access Controls - Use of master passwords, powerful utilities and system manager facilities should be appropriately controlled.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
PUBLIC access to IBM system utilities is absent.	Inspected the access lists to the powerful system utilities.	No exceptions noted.
Default passwords for the IBM supplied user profiles have been changed.	Using security analysis tools, generated and inspected a report of the IBM supplied user profiles and evaluated the following profile characteristics: <ul style="list-style-type: none"> • Date and time of last password change. • Whether the password is expired. • Whether individuals are prevented from signing on to the system using these accounts. 	One IBM system account still has the default password assigned. In the past this account has been disabled. The manager of applications believes this account was enabled as a result of an AS/400 restore in October 2007. He is in the process of reviewing all accounts and account privileges and plans to reduce the number of enabled accounts.

IT Security - Control Objective: System Software and Utilities Access Controls - Use of master passwords, powerful utilities and system manager facilities should be appropriately controlled.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
User profiles with access to special authorities have been appropriately restricted. Users assigned to powerful user classes are appropriate for their job responsibilities.	Using security analysis tools generated and inspected the following reports: Special Authorities: List of user profiles with powerful special authorities. User Classes: List of users assigned to powerful user classes.	Nineteen accounts have security administration authority and 27 accounts have access to all objects. All of these consisted of IT Personnel accounts, application accounts, system accounts and one account for a consultant. The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of accounts with this access.
User access to critical AS/400 system commands is restricted based upon job duties.	Inspected the access lists for the key system commands to confirm they have been restricted from public use.	No relevant exceptions noted.
PUBLIC access to critical IBM system libraries and other objects is absent.	Inspected the access list to critical IBM libraries.	No exceptions noted.
Only essential programs have adopt authority. Adopted authority adds the authority of a program owner to the authority of the user running the program. Programs owned by powerful user profiles or having the *ALLOBJ (all object) authority should not be configured to adopt authority.	Inspected a list of programs with adopt authority for the IBM user profiles and other profiles with All Object authority.	No exceptions noted.

IT Security - Control Objective: System Software and Utilities Access Controls - Use of master passwords, powerful utilities and system manager facilities should be appropriately controlled.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
PUBLIC access to critical libraries is restricted based upon job duties.	Inspected the access list to the production program and data file libraries.	Seventeen accounts have ALL access to the production library. Of these 17 accounts, four accounts are used by IT management. The remaining accounts are used by the system or application. However, many of these accounts were disabled in the past and do not require access. The DOW performed a restore of the AS/400 in October 2007. Some of these accounts may have been enabled during the restore. The manager of applications is in the process of reviewing all accounts and account privileges and plans to reduce the number of accounts with this access.
Access to IBM system authorization lists is restricted based upon job duties.	Inspected the IBM system authorization lists and inquired with the manager of applications about the appropriateness of the lists.	No exceptions noted.

IT Security - Control Objective: Physical Security - Computer facilities and data should have appropriate physical access restrictions and be properly protected from environmental dangers.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>AS/400 Server: Physical access to the computer room and its contents is restricted to authorized personnel.</p> <p>During normal business hours (8AM-5PM), security personnel monitor the entrances to the DOW building. Other entrances are restricted to DOW personnel. Computer operators are located either within the computer room or in a room adjacent to the computer room for a 24 hour period.</p> <p>Access to the IT area, is controlled by a key card system. Access to the computer room is restricted to authorized personnel.</p>	<p>Inspected the location of the AS/400 master console and observed physical access controls.</p> <p>Observed security personnel at the entrances to the DOW building.</p> <p>Inspected a listing of employees with key card access to the computer room.</p>	No exceptions noted.
<p>AS/400 Server: Environmental controls are in place to protect against or detect fire, water, humidity or electrical surge damage.</p> <p>Environmental controls within the computer room include the following:</p> <ul style="list-style-type: none"> • Three dedicated air conditioning units. • FM 200 waterless fire protection system. • Raised flooring. • Fire alarm. • Fire extinguishers • Backup power supply. 	<p>Inspected the location of the AS/400 master console and observed environmental controls in place.</p>	No exceptions noted.
<p>Windows 2003 Server: Physical access to the computer room and its contents is restricted to authorized personnel.</p>	<p>Inspected the location of the Windows 2003 server and observed the physical access controls in place.</p>	No exceptions noted.

IT Operations

IT Operations - Control Objective: System Administration and Maintenance - Appropriate procedures should be established to ensure the system is properly maintained and monitored.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
An operations run book is located in the computer room. It includes specific job information including data preparation, setup requirements, processing steps, expected results, and schedule information. An AS/400 System Operator's Guide is also maintained for use by the operators.	Inspected the operations run book for job run descriptions and other scheduled operations. Also inspected the AS/400 System Operator's Guide for content.	No exceptions noted.
The data processing supervisor monitors the status of batch processing by comparing the report "distribution of forms/reports" and the daily and weekly distribution summary with the output queue.	Inspected the 11/19/07 reports for evidence of review.	No exceptions noted.
DOW routine operational and maintenance jobs are initiated through a batch scheduler program or are called by the "nucleus" job. This job initiates the regular data file updates and an additional schedule of batch jobs which are flagged daily to run during the nightly processing schedule. These jobs include the backup jobs and other necessary data file update activity.	Inspected the schedule of regularly run batch jobs. Subsequently inspected the "nucleus" batch job which is run from the batch schedule.	No exceptions noted.
Operators are required to manually document job status and significant ABENDs on an incident report.	Inspected the incident reports for the month of November 2007 to confirm they were prepared daily for each of the three shifts and included information regarding significant occurrences and actions taken.	No exceptions noted.
The DOW has a maintenance agreement with IBM for support of the AS/400 hardware and related system software.	Inspected the IBM maintenance agreement and related payment information to confirm the agreement is current.	No exceptions noted.

IT Operations - Control Objective: Backup - Up-to-date backups of programs and data should be available in emergencies.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Documented procedures are available to operators for the performance of backups.	Inspected the IBM basic backup and recovery guide located in the DOW computer room.	No exceptions noted.
Daily, weekly, and monthly backup tapes are rotated off-site according to a pre-determined rotation schedule. Backups are stored in an environmentally controlled, secured facility.	Inspected the off-site facility on 11/21/2007 and confirmed the appropriate tapes were rotated to the off-site location by tracing the tape numbers to the 11/21/2007 R-Tape Vault Movement report.	The off-site tape facility is located directly across the street from the computer room. The remote and mirrored replicating SAN serves as a compensating control.
Backup tapes are tracked using a tape management system.	Inspected an R-Tape volume inquiry listing for tapes created on 11/21/2007. Verified the tapes listed were on-site on 11/30/2007.	No exceptions noted.
The local storage area network (SAN) is replicated and mirrored to a backup SAN maintained by the DOW at a backup facility. The backup SAN is secured by a key card and the following environmental controls are in place: <ul style="list-style-type: none"> • Backup power supply (USP). • FM 200 waterless fire protection system • Air conditioning unit. 	Inspected the service agreement and payment documentation for the SAN hardware and replication software to confirm support is available and replication is monitored. Confirmed with the manager of applications, data processing supervisor, and assistant manager of application development and technology support (infrastructure) that a new SAN is installed and operating at the new facility. Toured the facility where the backup SAN is located on 12/04/07 and observed the environmental controls in place.	No exceptions noted.

FINANCIAL APPLICATION CONTROLS PLACED IN OPERATION AND TESTS OF OPERATING EFFECTIVENESS

Billing and Payment System

Billing and Payment System - Control Objective: Authorization - Recorded transactions represent actual charges for services provided to customers and relate to the governmental entity and are approved. Receipts represent valid payments by customers for services received. Non-cash credits to accounts receivable represent valid adjustments and are approved.		Control Objective Has Been Met																																																
Control Procedures:	Test Descriptions:	Test Results:																																																
<p>Meter Reading and Billing: Rates for water, sewer, and fire lines are authorized by Cleveland City Council, NEORSD or local municipalities. The assistant administrator of the billing department enters new billing rates for water, sewer, and fire lines into the system.</p>	<p>Confirmed the rates (water, fire line, and sewer) in the billing application agreed to the authorization documentation for the following 15 city codes in the DOW billing application:</p> <table border="1"> <thead> <tr> <th></th> <th>City Code</th> <th>City Code Description</th> </tr> </thead> <tbody> <tr><td>1.</td><td>01</td><td>Cleveland</td></tr> <tr><td>2.</td><td>16</td><td>Hunting Valley</td></tr> <tr><td>3.</td><td>22</td><td>North Olmstead</td></tr> <tr><td>4.</td><td>26</td><td>Orange Village</td></tr> <tr><td>5.</td><td>32</td><td>Shaker Heights</td></tr> <tr><td>6.</td><td>40</td><td>Oakwood</td></tr> <tr><td>7.</td><td>45</td><td>Twinsburg</td></tr> <tr><td>8.</td><td>52</td><td>Brooklyn Heights</td></tr> <tr><td>9.</td><td>55</td><td>Garfield Heights</td></tr> <tr><td>10.</td><td>59</td><td>North Randall</td></tr> <tr><td>11.</td><td>64</td><td>Highland Hills</td></tr> <tr><td>12.</td><td>69</td><td>Mayfield Village</td></tr> <tr><td>13.</td><td>73</td><td>University Heights</td></tr> <tr><td>14.</td><td>83</td><td>Euclid</td></tr> <tr><td>15.</td><td>91</td><td>Northfield Center Twp.</td></tr> </tbody> </table>		City Code	City Code Description	1.	01	Cleveland	2.	16	Hunting Valley	3.	22	North Olmstead	4.	26	Orange Village	5.	32	Shaker Heights	6.	40	Oakwood	7.	45	Twinsburg	8.	52	Brooklyn Heights	9.	55	Garfield Heights	10.	59	North Randall	11.	64	Highland Hills	12.	69	Mayfield Village	13.	73	University Heights	14.	83	Euclid	15.	91	Northfield Center Twp.	<p>The majority of the rates in the billing system were correct. The following exceptions were noted which only apply to certain service level/Special Sewer Type (SST) combinations within the city code:</p> <ul style="list-style-type: none"> • One rate in the billing system for Shaker Heights was not supported by an authorized ordinance. The city attempted to confirm this rate with the agent, but has not yet received a response. One customer account was affected by this error. • One rate in the billing system does not agree to the ordinance on file for Oakwood. A total of 102 customer accounts were affected by this error. • A sewer charge for NEORSD was present for Northfield Center; however, DOW is not the sewer billing agent and NEORSD is not the service provider for that city. The NEORSD has been notified of this exception and is investigating. This error affected two customer accounts.
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Billing and Payment System - Control Objective: Authorization - Recorded transactions represent actual charges for services provided to customers and relate to the governmental entity and are approved. Receipts represent valid payments by customers for services received. Non-cash credits to accounts receivable represent valid adjustments and are approved.		Control Objective Has Been Met																																																
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<p>Meter Reading and Billing: When an ordinance is received for a rate change, a control sheet is prepared and attached to the ordinance. The control sheet is signed by the utilities fiscal manager, billing manager, and assistant commissioner of customer account services to acknowledge completion, approval and filing of the rate change ordinance.</p>	<p>Inspected the rate ordinance documentation for the following 15 city codes in the DOW billing application to confirm a control sheet was on file and contained the appropriate signatures.</p> <table border="1"> <thead> <tr> <th></th> <th><u>City Code</u></th> <th><u>City Code Description</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td>01</td><td>Cleveland</td></tr> <tr><td>2.</td><td>16</td><td>Hunting Valley</td></tr> <tr><td>3.</td><td>22</td><td>North Olmstead</td></tr> <tr><td>4.</td><td>26</td><td>Orange Village</td></tr> <tr><td>5.</td><td>32</td><td>Shaker Heights</td></tr> <tr><td>6.</td><td>40</td><td>Oakwood</td></tr> <tr><td>7.</td><td>45</td><td>Twinsburg</td></tr> <tr><td>8.</td><td>52</td><td>Brooklyn Heights</td></tr> <tr><td>9.</td><td>55</td><td>Garfield Heights</td></tr> <tr><td>10.</td><td>59</td><td>North Randall</td></tr> <tr><td>11.</td><td>64</td><td>Highland Hills</td></tr> <tr><td>12.</td><td>69</td><td>Mayfield Village</td></tr> <tr><td>13.</td><td>73</td><td>University Heights</td></tr> <tr><td>14.</td><td>83</td><td>Euclid</td></tr> <tr><td>15.</td><td>91</td><td>Northfield Center Twp.</td></tr> </tbody> </table>		<u>City Code</u>	<u>City Code Description</u>	1.	01	Cleveland	2.	16	Hunting Valley	3.	22	North Olmstead	4.	26	Orange Village	5.	32	Shaker Heights	6.	40	Oakwood	7.	45	Twinsburg	8.	52	Brooklyn Heights	9.	55	Garfield Heights	10.	59	North Randall	11.	64	Highland Hills	12.	69	Mayfield Village	13.	73	University Heights	14.	83	Euclid	15.	91	Northfield Center Twp.	<p>One did not have a control sheet attached to the ordinance provided.</p> <p>No other relevant exceptions noted.</p>
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Billing and Payment System - Control Objective: Authorization - Recorded transactions represent actual charges for services provided to customers and relate to the governmental entity and are approved. Receipts represent valid payments by customers for services received. Non-cash credits to accounts receivable represent valid adjustments and are approved.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Meter Reading and Billing: In March 2007, the DOW attempted to confirm the rates in the billing system with the authorizing agent for a selection of municipalities. DOW had the authorizing agent sign a green card to acknowledge receipt of the confirmation letter upon hand delivery of the letter and the supplemental reports listing accounts for that municipality. Responses were sent to Utilities Fiscal Control to be filed in the agent's file. Copies were also sent to the Billing Department.	<p>Obtained a copy of each of the 37 confirmation letters sent in 2007.</p> <p>Requested the green cards to confirm the authorizing agents acknowledged receipt of the confirmation letter.</p> <p>Inspected the responses on file with Utilities Fiscal Control to confirm the authorizing agents reviewed and responded to the confirmation request.</p>	<p>The green cards used to acknowledge receipt of the confirmation letter were not available for testing.</p> <p>Of the 37 confirmation letters sent in 2007, only seven responses were on file with Utilities Fiscal Control.</p>
Meter Reading and Billing: New account set up requires the entry of connection and receipt numbers for each new account from the original permit.	<p>Judgementally selected 30 dates from a population of 252 business days during the audit period and inspected the Report of New Accounts List (WSG08090). Traced one account from each list to the supporting documentation.</p> <p>Randomly selected 60 permits from a population of 891 issued during the audit period and traced each permit to the "Report of New Accounts."</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Completeness of Input - Authorized transactions, including sales, cash receipts and adjustments to accounts receivable are input and accepted for processing.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Meter Reading and Billing: To ensure all accounts are uploaded to the billing application, the total number of meters per the "Routes Received from Road Runner" report from the Datamatics application is compared to the "Batch Control & Error Transactions" report (WSA02020) from the IBM AS/400.	<p>Performed a walk-through of the upload process on 11/28/07. Inspected the "Routes Received from Road Runner" report and the "Batch Control & Error Transactions" report for 11/28/07.</p> <p>Selected six routes and confirmed the total number of meters was in agreement on the two reports mentioned above. Independently inquired with the assistant administrator and unit supervisor of the meter reading department regarding balancing procedures.</p>	No relevant exceptions noted.
Payments: Cashiers complete a cashier control sheet for the amount of walk in payments collected. The principal cashier checks the control sheet and double checks the deposit. The cashier control sheet is submitted to the Cash Receipts Department where all of the stubs received by the cashiers are entered into the BancTec System. The tapes from the BancTec System are balanced to the cashiers' control sheets.	Re-performed the preparation of the cash control sheets for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed cashier control sheets were prepared by the Cashiers Department for each of the days selected.	No exceptions noted.
Payments: The Cash Receipts Department reconciles all of the totals from the cashiers' tapes, mail, agency, direct deposit and lockbox to the total deposit each day.	Re-performed the Cash Receipts reconciliation for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed reconciliations were performed by the Cash Receipts Department for each of the days selected.	No exceptions noted.
Payments: The Accounts Receivable Department reconciles the beginning Accounts Receivable balance to the ending Accounts Receivable (A/R) balance each day.	Re-performed the A/R reconciliation for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed reconciliations were performed by the Accounts Receivable Department for each of the days selected.	No exceptions noted.

Billing and Payment System - Control Objective: Accuracy of Input - Charges for services transactions, including sales, cash receipts and adjustments to accounts receivable are accurately recorded as to amounts, quantities/consumption, dates and customers, and are recorded in the proper period.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Meter Reading and Billing: The "Accounts not Billed" report is a cumulative report of all accounts which have not been billed in 105 days. This report is run in three different sort orders: Active Accounts (WSG07232), New Accounts (WSG07233), and Inactive Accounts (WSG07234). It is reviewed on a weekly basis by the assistant administrator of the Meter Reading Department for active and new accounts. Active and new accounts found are subsequently sequenced for a reading in the next cycle.	Inspected the "Accounts not Billed" report for 11/26/07, and independently inquired with the assistant administrator and the unit supervisor of the Meter Reading Department regarding the procedure for reviewing these reports.	Control operating as described.
Meter Reading and Billing: Road Runners are reviewed for blanks, which are meters not read, by the meter reading supervisor before upload to the Datamatics application. Skip codes are entered for each blank which results in the account being investigated and rescheduled for another meter reading.	Observed the meter reading supervisor checking for blanks on the Road Runners. Independently inquired with the assistant administrator, unit supervisor, and meter reading supervisor about procedures for meters which are not read.	No exceptions noted.
Meter Reading and Billing: A "Daily Water-Sewer Billing Register" report (WSG07030) is reviewed daily for appropriateness of billed amounts, correct dates, unusually high homestead amounts and certain meter changes that may require adjustment.	Inspected a copy of the register and inquired with the assistant administrator of the Billing Department about procedures for review.	No exceptions noted.

Billing and Payment System - Control Objective: Accuracy of Input - Charges for services transactions, including sales, cash receipts and adjustments to accounts receivable are accurately recorded as to amounts, quantities/consumption, dates and customers, and are recorded in the proper period.		Control Objective Has Been Met																																																
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>																																																
<p>Meter Reading and Billing: Rates for water, sewer, and fire lines are authorized by Cleveland City Council, NEORSD or local municipalities. The assistant administrator of the billing department enters new billing rates for water, sewer, and fire lines into the system.</p>	<p>Confirmed the rates (water, fire line, and sewer) in the billing application agreed to the authorization documentation for the following 15 city codes in the DOW billing application:</p> <table border="1" data-bbox="835 500 1323 1104"> <thead> <tr> <th></th> <th><u>City Code</u></th> <th><u>City Code Description</u></th> </tr> </thead> <tbody> <tr><td>1.</td><td>01</td><td>Cleveland</td></tr> <tr><td>2.</td><td>16</td><td>Hunting Valley</td></tr> <tr><td>3.</td><td>22</td><td>North Olmstead</td></tr> <tr><td>4.</td><td>26</td><td>Orange Village</td></tr> <tr><td>5.</td><td>32</td><td>Shaker Heights</td></tr> <tr><td>6.</td><td>40</td><td>Oakwood</td></tr> <tr><td>7.</td><td>45</td><td>Twinsburg</td></tr> <tr><td>8.</td><td>52</td><td>Brooklyn Heights</td></tr> <tr><td>9.</td><td>55</td><td>Garfield Heights</td></tr> <tr><td>10.</td><td>59</td><td>North Randall</td></tr> <tr><td>11.</td><td>64</td><td>Highland Hills</td></tr> <tr><td>12.</td><td>69</td><td>Mayfield Village</td></tr> <tr><td>13.</td><td>73</td><td>University Heights</td></tr> <tr><td>14.</td><td>83</td><td>Euclid</td></tr> <tr><td>15.</td><td>91</td><td>Northfield Center Twp.</td></tr> </tbody> </table>		<u>City Code</u>	<u>City Code Description</u>	1.	01	Cleveland	2.	16	Hunting Valley	3.	22	North Olmstead	4.	26	Orange Village	5.	32	Shaker Heights	6.	40	Oakwood	7.	45	Twinsburg	8.	52	Brooklyn Heights	9.	55	Garfield Heights	10.	59	North Randall	11.	64	Highland Hills	12.	69	Mayfield Village	13.	73	University Heights	14.	83	Euclid	15.	91	Northfield Center Twp.	<p>The majority of the rates in the billing system were correct. The following exceptions were noted which only apply to certain service level/Special Sewer Type (SST) combinations within the city code:</p> <ul style="list-style-type: none"> • One rate in the billing system for Shaker Heights was not supported by an authorized ordinance. The city attempted to confirm this rate with the agent, but has not yet received a response. One customer account was affected by this error. • One rate in the billing system does not agree to the ordinance on file for Oakwood. A total of 102 customer accounts were affected by this error. • A sewer charge for NEORSD was present for Northfield Center; however, DOW is not the sewer billing agent and NEORSD is not the service provider for that city. The NEORSD has been notified of this exception and is investigating. This error affected two customer accounts.
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<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: In March 2007, the DOW attempted to confirm the rates in the billing system with the authorizing agent for a selection of municipalities. DOW had the authorizing agent sign a green card to acknowledge receipt of the confirmation letter upon hand delivery of the letter and the supplemental reports listing accounts for that municipality. Responses were sent to Utilities Fiscal Control to be filed in the agent's file. Copies were also sent to the Billing Department.</p>	<p>Obtained a copy of each of the 37 confirmation letters sent in 2007.</p> <p>Requested the green cards to confirm the authorizing agents acknowledged receipt of the confirmation letter.</p> <p>Inspected the responses on file with Utilities Fiscal Control to confirm the authorizing agents reviewed and responded to the confirmation request.</p>	<p>The green cards used to acknowledge receipt of the confirmation letter were not available for testing.</p> <p>Of the 37 confirmation letters sent in 2007, only seven responses were on file with Utilities Fiscal Control.</p>
<p>Meter Reading and Billing: Validity checks are performed during the nightly batch update process. Exceptions are reported on the "Batch Control & Error Transactions" report (WSA02070).</p> <p>Validity and logic checks are a part of the nightly batch update process.</p> <p>Validity checks include verifying the validity of month and day entries. Logic checks include checking to ensure the customer sequence number appears on both the transaction and master files, sub-meter consumption is not greater than the main meter consumption, and the current read date is after the prior read date.</p>	<p>Inspected program logic for selected edits.</p> <p>Independently inquired of the unit supervisor of the Meter Reading Department and the assistant administrator of the Billing Department about procedures for reviewing the error report.</p> <p>Performed a walk-through of the upload process and inspected the error reports for 11/28/07.</p>	<p>No exceptions noted.</p>
<p>Payments: Full payments are electronically read and posted by the Banctec Machine by electronically reading the payment stub.</p>	<p>Observed the data conversion operator run a batch of full payment stubs through the Banctec machine on 12/5/07. For the first 60 payments in the batch, confirmed the amounts listed on the Banctec tape agreed to the amount due on the payment stub.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Accuracy of Input - Charges for services transactions, including sales, cash receipts and adjustments to accounts receivable are accurately recorded as to amounts, quantities/consumption, dates and customers, and are recorded in the proper period.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Payments: Partial payments must be keyed and then reverse keyed into the Bancotec System to ensure accurate input. The amount listed on the stub is crossed out and the amount of the payment is written on the stub. Amounts received are entered from the actual check, not from the bill stub.	Observed a data conversion operator enter a partial payment batch on 12/5/07.	No exceptions noted.

Billing and Payment System - Control Objective: Accuracy of Input - Charges for services transactions, including sales, cash receipts and adjustments to accounts receivable are accurately recorded as to amounts, quantities/consumption, dates and customers, and are recorded in the proper period.		Control Objective Has Been Met
Control Procedures:	Test Descriptions:	Test Results:
<p>Payments: The Bancotec machine performs the following edit checks:</p> <ul style="list-style-type: none"> • Batch type must be a valid menu option. • Form number must be numeric. • Account number 10 digits, numeric, may not contain <u>all</u> zeros. • Account number check digit, numeric. Check digit on positions 2 - 11. One digit required for validation as check for documents of type 1 (water/sewer). • Amount due 9 digits, numeric, may not contain all zeros. • Payment code must equal 0, 1, 4, 5, 7, 8, or 9. • Customer sequence number must be numeric. <p>The cash processing program (Billing and Payment system on the AS/400) performs the following edit checks:</p> <ul style="list-style-type: none"> • The account number must be valid. • All numeric fields must be numeric (pay code, pay type, customer sequence) • Total batch detail must equal batch header. • Total of all batch headers must equal total input for the day. 	<p>Inspected the operations manual for the Bancotec System. Inspected the program code for the cash processing program.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Cutoff of Transactions – What assures that billing and payment transactions are recorded in the proper period?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: To ensure all accounts are uploaded to the billing application, the total number of meters per the “Routes Received from Road Runner” report from the Datamatics application is compared to the “Batch Control & Error Transactions” report (WSA02020) from the IBM AS/400.</p>	<p>Performed a walk-through of the upload process on 11/28/07. Inspected the “Routes Received from Road Runner” report and the “Batch Control & Error Transactions” report for 11/28/07.</p> <p>Selected six routes and confirmed the total number of meters was in agreement on the two reports mentioned above. Independently inquired with the assistant administrator and unit supervisor of the meter reading department regarding balancing procedures.</p>	<p>No relevant exceptions noted.</p>
<p>Payments: Cashiers complete a cashier control sheet for the amount of walk in payments collected. The principal cashier checks the control sheet and double checks the deposit. The cashier control sheet is submitted to the Cash Receipts Department where all of the stubs received by the cashiers are entered into the Banctec System. The tapes from the Banctec System are balanced to the cashiers’ control sheets.</p>	<p>Re-performed the preparation of the cash control sheets for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed cashier control sheets were prepared by the Cashiers Department for each of the days selected.</p>	<p>No exceptions noted.</p>
<p>Payments: The Cash Receipts Department reconciles all of the cashiers’ tapes, mail, agency, direct deposit and lockbox totals to the total deposit each day.</p>	<p>Re-performed the Cash Receipts reconciliation for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed reconciliations were performed by the Cash Receipts Department for each of the days selected.</p>	<p>No exceptions noted.</p>
<p>Payments: The Accounts Receivable Department reconciles the beginning Accounts Receivable balance to the ending Accounts Receivable (A/R) balance each day.</p>	<p>Re-performed the A/R reconciliation for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed reconciliations were performed by the Accounts Receivable Department for each of the days selected.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Transaction Classification – How does the entity assure that billing and payment transactions are coded to the proper account classification?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Meter Reading and Billing: A “Daily Water-Sewer Billing Register” report (WSG07030) is reviewed daily for appropriateness of billed amounts, correct dates, unusually high homestead amounts and certain meter changes that may require adjustment.	Inspected a copy of the register and inquired with the assistant administrator of the Billing Department about procedures for review.	No exceptions noted.
Meter Reading and Billing: Validity checks are performed during the nightly batch update process. Exceptions are reported on on the “Batch Control & Error Transactions” report (WSA02070). Validity and logic checks are a part of the nightly batch update process. Validity checks include verifying the validity of month and day entries. Logic checks include checking to ensure the customer sequence number appears on both the transaction and master files, sub-meter consumption is not greater than the main meter consumption, and the current read date is after the prior read date.	Inspected program logic for selected edits. Independently inquired of the unit supervisor of the Meter Reading Department and the assistant administrator of the Billing Department about procedures for reviewing the error report. Performed a walk-through of the upload process and inspected the error reports for 11/28/07.	No exceptions noted.
Payments: Full payments are electronically read and posted by the Bancotec Machine by electronically reading the payment stub.	Observed the data conversion operator run a batch of full payment stubs through the Bancotec machine on 12/5/07. For the first 60 payments in the batch, confirmed the amounts listed on the Bancotec tape agreed to the amount due on the payment stub.	No exceptions noted.
Payments: Partial payments must be keyed and then reverse keyed into the Bancotec System to ensure accurate input. The amount listed on the stub is crossed out and the amount of the payment is written on the stub. Amounts received are entered from the actual check, not from the bill stub.	Observed a data conversion operator enter a partial payment batch on 12/5/07.	No exceptions noted.

Billing and Payment System - Control Objective: Transaction Occurrence – What assures that billing and payment transactions actually occurred and are not fictitious? What prevents duplicate transactions from occurring?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: Validity checks are performed during the nightly batch update process. Exceptions are reported on “Batch Control & Error Transactions” report (WSA02070).</p> <p>Validity and logic checks are a part of the nightly batch update process.</p> <p>Validity checks include verifying the validity of month and day entries. Logic checks include checking to ensure the customer sequence number appears on both the transaction and master files, sub-meter consumption is not greater than the main meter consumption, and the current read date is after the prior read date.</p>	<p>Inspected program logic for selected edits.</p> <p>Independently inquired of the unit supervisor of the Meter Reading Department and the assistant administrator of the Billing Department about procedures for reviewing the error report.</p> <p>Performed a walk-through of the upload process and inspected the error reports for 11/28/07.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Transaction Occurrence – What assures that billing and payment transactions actually occurred and are not fictitious? What prevents duplicate transactions from occurring?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Payments: The Bancotec machine performs the following edit checks:</p> <ul style="list-style-type: none"> • Batch type must be a valid menu option. • Form number must be numeric. • Account number 10 digits, numeric, may not contain <u>all</u> zeros. • Account number check digit, numeric. Check digit on positions 2 - 11. One digit required for validation as check for documents of type 1 (water/sewer). • Amount due 9 digits, numeric, may not contain all zeros. • Payment code must equal 0, 1, 4, 5, 7, 8, or 9. • Customer sequence number must be numeric. <p>The cash processing program (Billing and Payment system on the AS/400) performs the following edit checks:</p> <ul style="list-style-type: none"> • The account number must be valid. • All numeric fields must be numeric (pay code, pay type, customer sequence) • Total batch detail must equal batch header. • Total of all batch headers must equal total input for the day. 	<p>Inspected the operations manual for the Bancotec System. Inspected the program code for the cash processing program.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Existence – What assures the account balances exist as of the financial statement date?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: Validity checks are performed during the nightly batch update process. Exceptions are reported on the “Batch Control & Error Transactions” report (WSA02070).</p> <p>Validity and logic checks are a part of the nightly batch update process.</p> <p>Validity checks include verifying the validity of month and day entries. Logic checks include checking to ensure the customer sequence number appears on both the transaction and master files, sub-meter consumption is not greater than the main meter consumption, and the current read date is after the prior read date.</p>	<p>Inspected program logic for selected edits.</p> <p>Independently inquired of the unit supervisor of the Meter Reading Department and the assistant administrator of the Billing Department about procedures for reviewing the error report.</p> <p>Performed a walk-through of the upload process and inspected the error reports for 11/28/07.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Existence – What assures the account balances exist as of the financial statement date?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Payments: The Banctec machine performs the following edit checks:</p> <ul style="list-style-type: none"> • Batch type must be a valid menu option. • Form number must be numeric. • Account number 10 digits, numeric, may not contain <u>all</u> zeros. • Account number check digit, numeric. Check digit on positions 2 - 11. One digit required for validation as check for documents of type 1 (water/sewer). • Amount due 9 digits, numeric, may not contain all zeros. • Payment code must equal 0, 1, 4, 5, 7, 8, or 9. • Customer sequence number must be numeric. <p>The cash processing program (Billing and Payment system on the AS/400) performs the following edit checks:</p> <ul style="list-style-type: none"> • The account number must be valid. • All numeric fields must be numeric (pay code, pay type, customer sequence) • Total batch detail must equal batch header. • Total of all batch headers must equal total input for the day. 	<p>Inspected the operations manual for the Banctec System. Inspected the program code for the cash processing program.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Integrity of Standing Data -Changes to standing data are authorized and accurately input.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: Only authorized users can initiate rate changes, new account set-up, and name/address changes.</p>	<p>Inspected a listing of CICS transactions and obtained the user access report for the following transactions:</p> <ul style="list-style-type: none"> • WS65 Charge Maintenance • WS94 Add/Update New Accounts • WS95 Create New Accounts <p>Traced all update access to request forms for authorization and agreement.</p> <p>Inquired with the assistant commissioner of customer account services, manager of the billing department, and the assistant administrator of the billing department to confirm the appropriateness of access to those transactions.</p>	<p>No exceptions noted.</p>

Billing and Payment System - Control Objective: Completeness and Accuracy of Updating - Charges for services transactions and cash receipts input are accurately updated to the revenue, accounts receivable and cash receipts databases.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Meter Reading and Billing: Accounts scheduled for meter reads are updated to the billing application on a nightly basis. Accounts, which are read but not billed, are reviewed the following day and are either rescheduled for another reading or manual bills are produced.	<p>Judgmentally selected 10 residential, 10 commercial, and 5 inspection accounts which were sequenced for billing on 11/28/07. Followed those 25 accounts through the billing cycle as follows:</p> <ul style="list-style-type: none"> • Observed the upload from the Road Runners and the Laptops to the Datamatics application. • Inspected the "Batch Control & Error Transactions" report (WSA02020) the following day to confirm the account readings were uploaded to the billing application. • Observed the accounts on-line to confirm the accounts were billed properly. • Inspected the error report (WSA02070) the following day to detect the inclusion of any selected accounts and inquired with the unit supervisor about the status of any accounts identified. • Re-calculated the water and sewer charges for the above accounts to confirm accuracy. 	No exceptions noted.
Meter Reading and Billing: The amount due for master meter accounts is calculated on a spreadsheet by the assistant administrator of the Billing Department. Master meter accounts are billed on a monthly basis.	Obtained the master meter billing spreadsheets for the month of September 2007 and recalculated all charges for accuracy.	No exceptions noted.

Billing and Payment System - Control Objective: Completeness and Accuracy of Updating - Charges for services transactions and cash receipts input are accurately updated to the revenue, accounts receivable and cash receipts databases.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Payments: Before issuing the "GO" command to update the accounts receivable file with daily payments, the assistant administrator, Accounts Receivable Department in Utilities Fiscal Control, agrees the amount of payments from the Cash Receipts Department to the amount included in the input file from IT.	On 12/5/07, observed the assistant administrator, Accounts Receivable Department in Utilities Fiscal Control, confirm the input file online by comparing the reconciliation from the Cash Receipts Department to the amount verbally reported by the IT Department. The daily log file was then reviewed to confirm the "GO" command was executed.	No exceptions noted.
Payments: After issuing the "GO" command the Accounts Receivable Department receives several reports from the IT Department. The Accounts Receivable Department uses these reports along with a cash report received from the Cash Receipts Department to reconcile the beginning A/R balance to the ending A/R balance.	Re-performed the A/R reconciliation for 10/31/07. Selected a haphazard sample of 60 business days throughout the audit period and confirmed that reconciliations were performed by the A/R Department for each of those days. Also, confirmed the cash amount from the above cash receipts reconciliations was included in the A/R reconciliations for each of the 60 days.	No exceptions noted.

Billing and Payment System - Control Objective: Completeness and Accuracy of Accumulated Data - The integrity of individual accounts receivable in the subsidiary ledger and the accounts receivable and cash accounts in the "general ledger," after charges for services transactions have been accumulated in them, is preserved.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Payments: Monthly reconciliations are prepared by the A/R Department. The beginning of the month A/R balance is reconciled to the month-end A/R balance, using monthly reports generated by the IT Department.	Inspected the monthly reconciliations to confirm reconciliations were performed for each month of the audit period. Re-performed the monthly reconciliation for October 2007. Confirmed the month-end A/R balance listed on the reconciliation agreed to the day end A/R balance.	No exceptions noted.

Billing and Payment System - Control Objective: Restricted Access to Assets and Records - Only authorized personnel have access to accounts receivable and cash receipt records (including standing data) and cash receipts.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Meter Reading and Billing: Transaction level security has been implemented at the application level to restrict access to the billing application.</p>	<p>Inspected a listing of CICS transactions and obtained the user access report for the following transactions:</p> <ul style="list-style-type: none"> • WS42 Adjustment Entry. • WS43 Adjust Consumption (Credit). • WS44 Adjust Consumption (Debit). • WS60 Charge Index Maintenance. • WS65 Charge Code (Rates) Maintenance. • WS68 Sprinkling Rate Maintenance. • WS80 CMBR Maintenance. • WS94 Add / Update New Accounts. • WS95 Create New Accounts. • WS97 Security File Update. <p>Traced all update access for the above transactions to request forms for authorization and agreement with the actual access granted.</p> <p>Inquired with the assistant commissioner of customer accounts, the manager of billing, and the assistant administrator of the billing department to confirm the appropriateness of access.</p>	<p>No exceptions noted.</p>
<p>Meter Reading and Billing: Application level access has been implemented to restrict access to the Datamatics application.</p>	<p>With the assistance of the unit supervisor of the Meter Reading Department, observed online, individual access to the Datamatics application.</p>	<p>No relevant exceptions noted.</p>

Billing and Payment System - Control Objective: Restricted Access to Assets and Records - Only authorized personnel have access to accounts receivable and cash receipt records (including standing data) and cash receipts.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
<p>Payments: Application level access is controlled through the Banctec System. Users are required to enter an operator ID and a password.</p> <p>On the AS/400, access to the cash processing functions is restricted to certain users using CICS application security.</p>	<p>Observed the data conversion operator enter an operator ID and password to operate the Banctec System, on 12/5/07.</p> <p>Inspected a CICS listing of individuals with update access to the following cash payment transactions:</p> <ul style="list-style-type: none"> • WS33 Cash Control Subsystem. • WSEZ E-Z Pay Exception Maintenance. <p>Traced all update access for the transactions to request forms for authorization and agreement with the actual access granted.</p> <p>For the WSEZ function, inquired with the assistant commissioner of customer account services, the manager of billing, and the assistant administrator of the billing department to confirm the appropriateness of access to the transaction.</p> <p>For the WS33 function, inquired with the interim manager of accounts receivable in Utilities Fiscal Control to confirm the appropriateness of access to the transaction.</p>	<p>No relevant exceptions noted.</p>

Billing and Payment System - Control Objective: Restricted Access to Assets and Records - Only authorized personnel have access to accounts receivable and cash receipt records (including standing data) and cash receipts.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
Payments: Cash is protected before being deposited.	Independently inquired about the depositing procedures with the unit supervisor of the Cash Receipts and Processing Department and the manager of cashiers and assistant administrator in the Accounts Receivable Department. Observed the preparation of the deposit and the transfer of deposit to the security guard on 12/6/07, at the processing center and cashiers' area. Observed the existence of safes in the processing center and cashiers' area.	No exceptions noted.
Payments: Physical access to the cashiers' area is restricted to authorized personnel and access to the Banctec area is restricted to authorized personnel using a card key system.	Inspected a list of individuals with access to the cashier and Banctec areas. Independently confirmed the appropriateness of access to these areas with the following management personnel in Utilities Fiscal Control: <ul style="list-style-type: none"> • Commissioner of fiscal control. • General manger of administrative services. • Manager of cashiers and assistant administrator of accounts receivable. • Unit supervisor of cash receipts and processing. 	No exceptions noted.

Distribution

Distribution - Control Objective: Authorization - Recorded payments (distributions) represent approved payments (Sewer payments) and adjustments to accounts receivable are input and accepted for processing.		Control Objective Has Been Met
Control Procedures:	Test Descriptions:	Test Results:
Letters are sent out by the commissioner of fiscal control authorizing the distribution of sewer and local charges.	Inspected copies of the letters for the entire audit period to confirm completion. Traced the amounts included on the 09/10/07 letters to the amounts listed on the August remittance schedule to confirm agreement.	No relevant exceptions noted.
Vouchers are prepared, approved and sent to the City of Cleveland for remittance to the individual municipalities listed on the remittance schedule.	Obtained a listing of all remittances for sewer and local charges during the audit period from the chief auditor of utilities. Inspected copies of the voucher payment forms prepared by the chief clerk for the entire audit period, to confirm completion. Traced the amounts on the 09/10/07 forms to the August remittance schedule to confirm agreement. Selected 35 remittance payments from a population of 317 remittances made during the audit period and inspected the voucher payment forms maintained by the city to confirm approval.	No exceptions noted.

Distribution - Control Objective: Completeness of Input - All authorized payments (distributions) are input for processing.		Control Objective Has Been Met
Control Procedures:	Test Descriptions:	Test Results:
The Accounts Receivable Department receives computer generated reports for all of the cash received for sewer and local charges. These cash reports are used to generate the remittance schedule. The total cash on the remittance schedule must equal the total cash received for sewer and local charges.	Re-performed the August 2007 remittance procedures used to generate all of the schedules involved in the preparation of the final remittance. Scanned the file of schedules to confirm they were prepared for each month of the audit period.	No exceptions noted.

Distribution - Control Objective: Accuracy of Input - Authorized payments (distributions) are accurately recorded as to amounts, dates, and are recorded in the proper period.		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The Accounts Receivable Department receives computer generated reports for all of the cash received for sewer and local charges. These cash reports are used to generate the remittance schedule. The total cash on the remittance schedule must equal the total cash received for sewer and local charges.	Re-performed the August 2007 remittance procedures used to generate all of the schedules involved in the preparation of the final remittance. Scanned the file of schedules to confirm they were prepared for each month of the audit period.	No exceptions noted.
The remittance schedule is prepared monthly. The Accounts Receivable Department begins preparing the report on the 1 st of the month and it must be completed by the 4 th of the month. Letters are sent by the commissioner of fiscal control to each client who should receive a payment authorizing the distribution of sewer and local charges. The letters indicate the amount of the remittance.	Inspected copies of the letters for the entire audit period to confirm completion. Traced the amounts included on the 09/10/07 letters to the amounts listed on the August remittance schedule to confirm agreement.	No relevant exceptions noted.
Vouchers are prepared, approved and sent to the City of Cleveland for remittance to the individual municipalities listed on the remittance schedule.	Obtained a listing of all remittances for sewer and local charges during the audit period from the chief auditor of utilities. Inspected copies of the voucher payment forms prepared by the chief clerk for the entire audit period, to confirm completion. Traced the amounts on the 09/10/07 forms to the August remittance schedule to confirm agreement. Selected 35 remittance payments from a population of 317 remittances made during the audit period and inspected the voucher payment forms maintained by the city to confirm approval.	No exceptions noted.

Distribution - Control Objective: Cutoff of Transactions – What assures that distribution transactions are recorded in the proper period?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The Accounts Receivable Department receives computer generated reports for all of the cash received for sewer and local charges. These cash reports are used to generate the remittance schedule. The total cash on the remittance schedule must equal the total cash received for sewer and local charges.	Re-performed the August 2007 remittance procedures used to generate all of the schedules involved in the preparation of the final remittance. Scanned the file of schedules to confirm they were prepared for each month of the audit period.	No exceptions noted.

Distribution - Control Objective: Transaction Classification – How does the entity assure that distribution transactions are coded to the proper account classification?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The remittance schedule is prepared monthly. The Accounts Receivable Department begins preparing the report on the 1 st of the month and it must be completed by the 4 th of the month. Letters are sent by the commissioner of fiscal control to each client who should receive a payment authorizing the distribution of sewer and local charges. The letters indicate the amount of the remittance.	Inspected copies of the letters for the entire audit period to confirm completion. Traced the amounts included on the 09/10/07 letters to the amounts listed on the August remittance schedule to confirm agreement.	No relevant exceptions noted.

Distribution - Control Objective: Transaction Occurrence – What assures that distribution transactions actually occurred and are not fictitious? What prevents duplicate transactions from occurring?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The Accounts Receivable Department receives computer generated reports for all of the cash received for sewer and local charges. These cash reports are used to generate the remittance schedule. The total cash on the remittance schedule must equal the total cash received for sewer and local charges.	Re-performed the August 2007 remittance procedures used to generate all of the schedules involved in the preparation of the final remittance. Scanned the file of schedules to confirm they were prepared for each month of the audit period.	No exceptions noted.

Distribution - Control Objective: Transaction Occurrence – What assures that distribution transactions actually occurred and are not fictitious? What prevents duplicate transactions from occurring?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The remittance schedule is prepared monthly. The Accounts Receivable Department begins preparing the report on the 1 st of the month and it must be completed by the 4 th of the month. Letters are sent by the commissioner of fiscal control to each client who should receive a payment authorizing the distribution of sewer and local charges. The letters indicate the amount of the remittance.	Inspected copies of the letters for the entire audit period to confirm completion. Traced the amounts included on the 09/10/07 letters to the amounts listed on the August remittance schedule to confirm agreement.	No relevant exceptions noted.

Distribution - Control Objective: Existence – What assures the account balances exist as of the financial statement date?		Control Objective Has Been Met
<i>Control Procedures:</i>	<i>Test Descriptions:</i>	<i>Test Results:</i>
The Accounts Receivable Department receives computer generated reports for all of the cash received for sewer and local charges. These cash reports are used to generate the remittance schedule. The total cash on the remittance schedule must equal the total cash received for sewer and local charges.	Re-performed the August 2007 remittance procedures used to generate all of the schedules involved in the preparation of the final remittance. Scanned the file of schedules to confirm they were prepared for each month of the audit period.	No exceptions noted.
The remittance schedule is prepared monthly. The Accounts Receivable Department begins preparing the report on the 1 st of the month and it must be completed by the 4 th of the month. Letters are sent by the commissioner of fiscal control to each client who should receive a payment authorizing the distribution of sewer and local charges. The letters indicate the amount of the remittance.	Inspected copies of the letters for the entire audit period to confirm completion. Traced the amounts included on the 09/10/07 letters to the amounts listed on the August remittance schedule to confirm agreement.	No relevant exceptions noted.

SECTION IV - OTHER INFORMATION PROVIDED BY THE SERVICE ORGANIZATION

HARDWARE DATA

Central Processors and Peripheral Equipment

<u>Manufacturer / Model Number</u>	<u>Random Access Memory</u>	<u>Disk Storage</u>
IBM AS/400 Model 9406-820	1 GB	171 GB
Banctec 9500	126 MB	1 GB

MISCELLANEOUS EQUIPMENT

<u>Equipment Type / Manufacturer and Model</u>	<u>Units in Total</u>
Disk Unit	20
Tape Unit	5
Storage Controller	4
Workstation Controller	15
Printer Device	3
Combined Function IOP	1
Optical Storage Unit	1
Token Ring Port	1
Ethernet Port	1
LAN Adapter	2
Comm Adapter	3
V.24 Port	5
Meter Reading Equipment – Laptops	51
Meter Reading Equipment – Hand-Held	50

SOFTWARE

<u>Type</u>	<u>Name / Manufacturer</u>	<u>Version Number</u>
Operating System	IBM OS/400	5.2
Security Software	CICS for AS/400	5.0
Report Writer	Query for AS/400	5.2
Programming Language	ILE COBOL for AS/400	5.2
Application Development Tool Set	IBM	5.2
Windows 2003	Microsoft	4.0
Application Software	Datamatics	4.0

USER SITE DATA

<u>MEMBER COMMUNITY</u>	<u>COUNTY</u>	<u>MEMBER COMMUNITY</u>	<u>COUNTY</u>
Cleveland	Cuyahoga		
	<u>Direct Service Suburbs</u>		
Bay Village	Cuyahoga	Glenwillow	Cuyahoga
Beachwood	Cuyahoga	Highland Heights	Cuyahoga
Bedford Heights	Cuyahoga	Highland Hills	Cuyahoga
Bentleyville	Cuyahoga	Hinkley Twp.	Medina
Berea	Cuyahoga	Hudson	Summit
Boston Heights	Summit	Hunting Valley	Cuyahoga
Bratenahl	Cuyahoga	Independence	Cuyahoga
Brecksville	Cuyahoga	Linndale	Cuyahoga
Bedford	Cuyahoga	Liverpool Twp	Medina
Broadview Heights	Cuyahoga	Lyndhurst	Cuyahoga
Brooklyn Village	Cuyahoga	Macedonia	Summit
Brooklyn Heights	Cuyahoga	Maple Heights	Cuyahoga
Brookpark	Cuyahoga	Mayfield Village	Cuyahoga
Brunswick	Medina	Mayfield Heights	Cuyahoga
Brunswick Hills Twp.	Medina	Middleburg Heights	Cuyahoga
Chesterland	Geauga	Moreland Hills	Cuyahoga
Cuyahoga Heights	Cuyahoga	Newburg Heights	Cuyahoga
Euclid	Cuyahoga	Northfield	Summit
Fairview Park	Cuyahoga	North Olmstead	Cuyahoga
Garfield Heights	Cuyahoga	North Randall	Cuyahoga
Gates Mills	Cuyahoga	Rocky River	Cuyahoga
North Royalton	Cuyahoga	Seven Hills	Cuyahoga
North Hills Water District	Summit	Shaker Heights	Cuyahoga
Oakwood	Cuyahoga	Solon	Cuyahoga

USER SITE DATA

<u>MEMBER COMMUNITY</u>	<u>COUNTY</u>	<u>MEMBER COMMUNITY</u>	<u>COUNTY</u>
Olmsted Falls	Cuyahoga	South Euclid	Cuyahoga
Olmsted Twp.	Cuyahoga	Strongsville	Cuyahoga
Orange Village	Cuyahoga	Twinsburg	Summit
Parkview	Cuyahoga	Twinsburg Twp.	Summit
Parma	Cuyahoga	University Heights	Cuyahoga
Parma Heights	Cuyahoga	Valley View	Cuyahoga
Pepper Pike	Cuyahoga	Walton Hills	Cuyahoga
Reminderville	Portage	Warrensville Heights	Cuyahoga
Richfield Twp.	Summit	West View	Cuyahoga
Richmond Heights	Cuyahoga	Westlake	Cuyahoga
Riveredge Township	Cuyahoga	Woodmere	Cuyahoga

Master Meter Suburbs

Bedford	Cuyahoga	East Cleveland	Cuyahoga
Chagrin Falls	Cuyahoga	Lakewood	Cuyahoga
Cleveland Heights	Cuyahoga	Geauga County	Geauga

Emergency Standby Communities

Berea	Cuyahoga	Medina County	Medina
Lake County	Lake	Portage County	Portage
Lorain County	Lorain	Hudson Village	Summit
North Ridgeville	Lorain	Summit County	Summit



Mary Taylor, CPA
Auditor of State

CITY OF CLEVELAND-DIVISION OF WATER

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2008**