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AUDIT OF METER READING & BILLING Electric & Water Utilities Follow-Up Review

Changes to meter-related work order documentation processes have improved monitoring capabilities. Water Utilities' plans to consistently document meter-related work orders in the billing system should help minimize asset-related data issues.

Denton Municipal Electric has effectively reinstituted its Meter Testing Program. Water Utilities will soon implement an AMI system and has reinitiated large water meter testing. Customer Service has improved documentation of billing adjustments.

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Follow-Up at a Glance

Why we did this Follow-Up:

This report is intended to provide information on what changes have been made in response to the Audit of Meter Reading & Billing: Electric & Water Utilities issued in January 2021. The original audit evaluated the Facilities Maintenance Division's general operations, including maintenance functions and work order system reporting and monitoring. This follow-up review was included on the City's fiscal year 2022-23 Annual Internal Audit Plan as approved by the City Council.

What we Found:

Customer Services has implemented several new procedures to improve the documentation of meterrelated work orders and billing adjustments. Consistent usage of the billing system for water meter-related work orders in the future should minimize asset data issues. DME has effectively reinstituted its meter test program. Current electric usage information should be available to all customers in 2024. Water is about to implement an advanced metering infrastructure system for small meters and has restarted large water meter testing. The status of each recommendation is summarized below:

Red	commendation	Mgmt. Response	Status
1.	Develop a formal procedure in consultation with the Electric & Water Metering Divisions that clarifies staff responsibilities for creating and reviewing work orders based on type and requires staff to provide certain information in the work order system's completion notes.	Concurred	Implemented
2.	Identify a way to reflect the actual completion date of each work order in the billing system to facilitate timeliness reporting & tracking.	Concurred	Implemented
3.	Ensure work orders created in the field by Water Metering crews are input into the billing system.	Concurred	In Progress
4.	Explore ways to correct the data issues identified in the Water Metering work order processes.	Concurred	In Progress
5.	Reinstitute the electric Meter Test Program for self-contained meters and ensure these meters are tested appropriately.	Concurred	Implemented
6.	Formalize meter testing practices for instrument-rated meters to provide further assurance that meters are tested in accordance with the City's requirements.	Concurred	Implemented
7.	Maintain meter accuracy test criteria and test result documentation per ANSI Standards.	Concurred	Implemented
8.	Develop a process to ensure all large water meters are tested appropriately.	Concurred	In Progress
9.	Determine an acceptable failure rate for the Small Water Meter Replacement Program.	Concurred	In Progress
10.	Ensure that AWWA standards are followed when testing water meter accuracy.	Concurred	Implemented
11.	Maintain a record of all meters changed out as part of the Small Water Meter Replacement Program & note which meters are tested.	Concurred	In Progress
12.	Explore options for providing electric usage information collected by the AMI system to electric customers.	Concurred	Implemented
13.	Establish guidance for Customer Service staff on what information must be included in the billing system to clearly explain the basis of adjustments made, including how any exceptions were identified.	Concurred	Implemented
14.	Implement procedures for regular verification of billing adjustments by a supervisor or other designated staff.	Concurred	Implemented

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Recommendation Status Update

This report summarizes the Audit of Meter Reading & Billing: Electric & Water Utilities recommendations, management responses, and the City Auditor's Office's follow-up findings, which describe to what extent City management has implemented the Audit's recommendations since the publication of the original report in January 2021.

Work Order Guidance Will Increase Assurance of Appropriate Account Changes

1. Develop a formal procedure in consultation with the Electric Metering and Water Metering Divisions that clarifies staff responsibilities for creating and reviewing work orders based on type and requires staff to provide certain information in the work order system's completion notes.

Management Response: Concur

Customer Service Comments: Customer Service will coordinate with Electric and Water Metering to create an SOP clarifying work order entry responsibility as well as information required notation.

Electric Metering Comments: Electric Metering staff will collaborate with Customer Service staff to develop a document that clarifies staff responsibilities for creating and reviewing work orders based on type and requires staff to provide certain information in the work order system's completion notes.

Water Metering Comments: Work orders related to water metering received from customer service are reviewed, processed and completed (closed) by Water Metering staff. Water Metering staff currently uses Mcare software [billing system's work order module] for creating, processing, and closing completed work orders. Mcare software directly communicates and stores data in the billing software (NorthStar). Water Metering staff will work with Customer Service staff to develop a document that describes the Standard Operating Procedure (formal process) for creating, reviewing, executing and closing work orders.

Audit Follow-Up Finding: Implemented

The City's Customer Service Division has developed and implemented a standard operating procedure that clarifies the staff and divisions responsible for creating and reviewing work orders in the City's billing system. This standard operating procedure requires metering field staff to include completion notes in the billing system and mark each work order as complete before it is reviewed by Customer Services staff for closure.

Based on a review of a statistical sample of 96 electric and water meterrelated work orders, all but 10 had recorded completion notes. Of the remaining 10 all appeared to either be work orders that did not require field staff involvement or had not yet been closed.

2. Identify a way to reflect the actual completion date of each work order in the billing system to facilitate timeliness reporting and tracking. Management Response: Concur

Customer Service Comments: Customer Service concurs and has already created a process which will identify the actual completion date and record that in a date field on the closeout notes. This field can be utilized by the metering groups to build reports which can identify actual field completion dates.

Audit Follow-Up Finding: Implemented

A way to record both the metering field staff work order completion date and the Customer Service closure date has been added to the City's billing system. Based on analysis of these new fields, about 95 percent of work orders are completed in the field on the day they were scheduled and almost 99 percent are completed within a week of scheduling. Further, about 51 percent of work orders are closed by Customer Service within three days of being completed and 99 percent are closed within a month of completion. General meter-related work order timeliness is illustrated in Figure 1.¹



Figure 1: Work Order Timeliness Illustration

3. Ensure work orders created in the field by Water Metering crews are input into the billing system.

Management Response: Concur

¹ About 93 percent of work orders had a field completion date and 99 percent had a billing completion date. In general, those work orders without a field completion date did not appear to require field staff involvement.

Water Metering Comments: All work orders created by staff, in the field are reported to the Division's administrative support staff who logged this information in an Access database which was not connected to NorthStar (billing system). The Water Metering Division recently (October 1, 2020) transitioned from a paper-based work order system to the CityWorks system. As part of this transition, all work orders that are created in the field are now logged into the billing system (NorthStar) as well as CityWorks [Water Department's work order system].

Audit Follow-Up Finding: In Progress

According to Water Utilities Management, water metering field staff were using the billing system and Water's work order system to manage meterrelated work in 2021 and 2022. This was noted as a potential issue in the original audit as it potentially required double entry for work orders and increased the risk that the billing system may not contain accurate information.

Based on a comparison of meter changeout work orders from fiscal year 2022-23 to the billing systems' active water meters as of October 2023, there was evidence that 29 customers' water meters may not be accurately reflected in the billing system. According to Water Utilities management, they plan to document all meter testing and repair work orders in the billing system going forward, which should help minimize these issues. In addition, the Department is in the process of working to integrate its internal work order system with the billing system. This will allow the Department to document material costs, labor hours, site pictures, and other work details that cannot be easily recorded in the billing system.

4. Explore ways to correct the data issues identified in the Water Metering work order processes.

Management Response: Concur

Water Metering Comments: We are currently working on fine tuning the data transfer and resolving data discrepancies between the billing software (NorthStar) and the utility work order system (CityWorks). Since the new system was recently implemented (October 2020), it will take a few months to resolve all known issues and implement a smooth transfer process.

Audit Follow-Up Finding: In Progress

As part of the original audit, about 10 percent of water meters had an incorrect "revisit year," due to a system malfunction that caused approximately 22,000 water meter install dates to be lost. "Revisit years" are used to determine when a meter should be replaced. Without

accurate revisit or install dates, it is difficult for a utility to ensure older water meters are being replaced before they become obsolete.

According to Water Utilities Management, in the next few years, this will no longer be an issue since they are about to implement an automated metering infrastructure system. The system implementation will include the replacement of a majority of the City's roughly 43,400 water meters – allowing for replacement schedules to be based on these new install dates. About \$7 million was budgeted for this implementation project to be spent during fiscal year 2023-24.

Formalizing Electric Meter Testing Programs Would Further Ensure Meter Accuracy

5. Reinstitute the electric Meter Test Program for self-contained meters and ensure these meters are tested appropriately. ANSI standards identify three potential testing plans including, periodic interval, variable interval, and statistical sampling.

Management Response: Concur Electric Metering Comments: See Recommendation 7 Comments.

Audit Follow-Up Finding: Implemented

The Electric Metering Division implemented a Meter Test Program standard operating procedure in January 2021. This standard operating procedure requires the following:

- Test 5 percent of residential non-instrument rated meters annually;
- Test 5 percent of commercial non-instrument rated meters annually;
- Test 10 percent of instrument-rated meters annually; and
- Test the 100 meters with the highest individual consumption every two years.

Based on an examination of the Electric Metering Division's meter testing records, the Division appears to have effectively reinstituted the Meter Test Program in compliance with this standard operating procedure. Table 1 details the number of meters tested during 2022 and 2023 for each category compared to an estimate of the number that would need to be tested based on the number of current meters.

Meter Type	Current Meters	Testing Estimate	2022 Tested	2023 Tested
Residential	57,407	2,870	2,655	1,833
Commercial	5,332	267	284	298
Instrument-Rated	1,624	162	123	131
Top 100	100	NA	108	NA

Table 1: Electric Meter Test Program Verification Summary (Oct. 2023)

While only 1,833 residential meters have been tested in 2023 to date, the Division is planning to complete almost 1,000 more tests for that testing year. According to Electric Metering Division staff, this testing backlog has been caused by supply chain and labor shortage issues and should be resolved by the end of calendar year 2023.

It should be noted that, while Denton Municipal Electric has reinstituted the Meter Test Program, about 85 percent of its meters are solid-state meters. Solid-state meters do not require mechanical movement to record usage like previously used induction meters. For this reason, meter accuracy testing may no longer be operationally efficient. This is likely reflected in the American National Standards Institute's 2022 Code for Electricity Metering; however, due to cost these standards were not purchased for review by the City Auditor's Office. As Denton Municipal Electric considers potential updates and changes to the Meter Test Program, it should be noted that despite not needing to be tested for accuracy solid-state meters should be inspected periodically to ensure they remain safe and secure in the field.

6. Formalize meter testing practices for instrument-rated meters to provide further assurance that meters are tested in accordance with the City's requirements.

Management Response: Concur Electric Metering Comments: See Recommendation 7 Comments.

Audit Follow-Up Finding: Implemented

The Electric Metering Division implemented an Instrument Rated Meter Testing standard operating procedure in January 2021 that details how to test instrument-rated meters using the Division's test bench. In addition, as shown in Table 1, all top 100 electric usage customers' meters are tested every two years and an additional 10 percent of instrument-rated meters are tested annually as required by the City.

7. Maintain meter accuracy test criteria and test result documentation per ANSI Standards. Meter accuracy test results should be retained in a way that allows for easy review. An additional repository could be created to ensure results are not lost in the future.

Management Response: Concur

Electric Metering Comments: Electric Metering Staff will create a Standard Operating Procedure (SOP) for our Meter Test Program. In this SOP we will define plans for our residential self-contained meters as well as our commercial self-contained and instrument-rated meters. This SOP will also define our test criteria for each of these meter groups and how we document and maintain our test results.

The Meter Test Program SOP will contain the following:

- Create a list of 5% of the residential self-contained meters to test for the year;
- Create a list of 5% of the commercial self-contained meters to test for the year;
- > Create a list of 10% of the instrument-rated meters to test for the year;
- > This list will exclude the top 100 commercial services;
- Create a list of the top 100 commercial services to test over a 2-year period;
- Electric Metering staff will create a schedule for these lists to be completed throughout the year;
- Electric Metering staff will log each meter test on the lists created and by creating a Maintenance Ticket in the CIS and recording the test results in the completion notes;
- Electric Metering Staff will periodically download the test results out of the field test units and store them on the city network; and
- All of these lists, test criteria, and documentation of tests results will follow the ANSI C12.1 Section 5.0.3.4.3 guidelines for Meter Test Programs.

In addition to the Meter Test Program SOP, we will continue to monitor electric meters with AMI data and begin field site inspections of all meters with the addition of an AMI Service Inspector.

Audit Follow-Up Finding: Implemented

The original audit found that, due to an equipment malfunction, electric meter accuracy test results from a field test unit had been lost since they were only stored in the equipment's database. Since then, the Electric Metering Division has begun downloading meter test results from the field meter test bench. In addition, the Division is working to create a searchable database of test results to facilitate future review.

Water Meter Testing Procedures Are Generally Not Properly Followed

8. Develop a process to ensure all large water meters are tested appropriately. Creating a record of all active large meters that need to be tested may facilitate this process.

Management Response: Concur

Water Metering Comments: All the large (compound) meters are tested and tracked in an Access database that the metering staff maintains. These meters are tested consistent with the standards and processes included in the AWWA guidelines. The Water Metering Division recently (October 1, 2020) transitioned from a paper-based work order system to the CityWorks system. As part of this transition, the testing and the records for passed meters will be logged in CityWorks and will evaluate its usefulness. Staff is currently working on implementing a process of tracking the tested meters in CityWorks which will be implemented this year. Staff will develop a document that describes the Standard Operating Procedure for testing large meters that is consistent with the AWWA standards.

Audit Follow-Up Finding: In Progress

According to Water Utilities management, all water meter testing was halted when the COVID-19 Pandemic began. Furthermore, the City recently purchased new mobile water meter testing equipment to allow for the testing of water meters in the field. Now that this equipment has been delivered and calibrated, the testing of large water meters has resumed.

Based on a review of meter testing data, 52 of the City's 341 large water meters – or about 15 percent – have been tested since May 2023 as shown in Table 2.

Meter Size	Meters	Percent Tested
3''	173	14%
4"	71	14%
6"	24	42%
8"	71	11%
10"	2	0%
A	l: 341	15%

Table 2: Active Large Water Meters (Oct. 2023)

To help continue implementing this recommendation, Water Utilities should consider developing a standard operating procedure for the large water meter test program that includes how often meters should be

tested, how test results should be documented, and how to identify and track meters that need to be tested.

9. Determine an acceptable failure rate for the Small Water Meter Replacement Program.

Management Response: Concur

Water Metering Comments: The Water Department has engaged the services of a consultant to review and assess the existing small water meters and develop recommendations for implementing an AMR/AMI system similar to the one that Electric Metering is currently operating throughout the City. If this assessment proves cost effective and is approved by City Council, an implementation plan that will target the oldest meters for replacement with the new technology first. The proposed meter replacement plan developed as part of the study will determine the rate at which the remaining mechanical meters are replaced. If the AMI/AMR study is deemed not cost-effective, then staff will undertake a study to determine the right number of years for the meter replacement program.

Audit Follow-Up Finding: In Progress

Since the original audit, Water Utilities has completed an advanced metering infrastructure system pilot program and has budgeted about \$7 million to begin implementing this new system in fiscal year 2023-24. According to Water Utilities management, these new meters will use an ultrasonic method to measure water usage. Based on industry research, the American Water Works Association does not recommend accuracy testing for ultrasonic meters because they "do not have moving parts and, therefore, are not subject to the same wear and tear as mechanical meters."

For this reason, it is likely the City no longer needs to expend resources on testing the accuracy of small water meters that have been replaced. Still, the American Water Works Association's guidance does state that water quality and other local conditions can affect the performance of ultrasonic meters, so each utility should consider developing its own testing criteria.

10. Ensure that AWWA standards are followed when testing water meter accuracy.

Management Response: Concur

Water Metering Comments: Water Metering staff endeavor to follow AWWA standards. Additional measures will be implemented to verify that AWWA standards are followed and staff will develop a Standard Operating Procedure for testing meters that is consistent with the AWWA standards.

Audit Follow-Up Finding: Implemented

The original audit found that not all tested water meters were being tested at the three flow rates – low, middle, and high – suggested by the American Water Works Association. Based on a review of testing data for the 52 large water meters tested since May 2023, all but one had been tested at all three flow rates.

Further, based on a review of the testing results, about 40 percent of all meter tests were passed. This is further detailed in Table 3.

Flow Rate	Tests	Pass Rate
Low	76	36.8%
Middle	74	36.5%
High	72	48.6%
All:	225	40.4%

Table 3: Summary of Large Meter Testing Results

These flow test pass ratings further emphasize the need to regularly test the accuracy of large water meters, especially given the high volume of water that is being moved through these meters.

11. Maintain a record of all meters changed out as part of the Small Water Meter Replacement Program and note which meters are tested. This record should help ensure all meters scheduled for replacement that year are replaced on time and allow for the calculation of an accurate failure rate. Results of the meter replacement program should be reported to Water Utilities Department management as appropriate.

Management Response: Concur

Water Metering Comments: Based on the information reviewed by the Internal Audit team at the time of the audit, the finding is accurate and supports the recommendation. Subsequent to completion of the audit, Water Metering provided evidence that this information was being tracked in a separate Access database which was later logged in NorthStar. The Water Metering Division recently (October 1, 2020) transitioned from a paper-based work order system and the Access database to the CityWorks system. As part of this transition, all small meter replacements will be tracked in CityWorks as well as NorthStar. Staff will rely on industry replacement best practices as opposed to testing the meters that are being replaced as testing meters that are no longer going to be used for billing purposes is not cost effective and would not change the small meter replacement criteria.

Audit Follow-Up Finding: In Progress

According to Water Utilities Management, the Small Water Meter Replacement Program was halted in 2021 in anticipation of converting the water meter network to an advanced metering infrastructure system. As previously stated, the City has budgeted about \$7 million to begin implementing this new system in fiscal year 2023-24. The implementation of this new system may make testing of replaced small water meters unnecessary. Additionally, the changes to the water meter testing equipment should allow the Department to upload test results into the Department's work order system in the future – though this is contingent on successful system integration.

Electric Meter Reading is Effective; AMI Capabilities Could be Further Utilized

12. Explore options for providing electric usage information collected by the AMI system to electric customers.

Management Response: Concur

Customer Service Comments: Customers on the Pay As You Go pre-paid metering program receive this information as a standard part of their service package. Currently, post-paid customers can enroll in the postpaid monitoring program which allows them access to daily usage data from the AMI meter.

Customer Service is actively engaged in procuring a system to include an enhanced customer portal which would, when procured and implemented, provide all users AMI meter data as a standard offering in our online account resources.

Electric Metering Comments: Electric Metering staff will provide the AMI data for the Customer Portal.

Audit Follow-Up Finding: Implemented

In 2021, the City procured a new utility customer portal software and is currently in the process of testing the new software before it goes live for customer use. This new portal will allow customers to view account information as well as interval usage data that is currently collected through the City's electric automated meter infrastructure system.

Water Meter Reading Process is Generally Effective

The original audit found that the City's water meters are read using handheld devices to capture water meter readings by meter readers daily. These devices automatically upload readings to the Field Collection System daily. Water meter reading data is then transferred to the billing system by Electric Metering Division staff. All water reading data

was accurately communicated to the billing system based on a review of three sequential bills for 227 water accounts. For this reason, no recommendations were issued regarding water meter reading accuracy.

Adjusting High & Low Usage Review Criteria May Further Reduce Inaccurate Bills

The original audit found that Electric Metering staff and Customer Service staff review high and low usage reports for electric and water meter accounts to try and identify and correct inaccurate readings before billing. Based on the review, the parameters used by both Electric Metering and Customer Service staff to identify high and low-usage accounts appeared to be reasonable. For this reason, no recommendations were issued regarding meter reading accuracy verification processes.

Effective Procedures are in Place to Accurately Calculate Electric and Water Bills

The original audit found that the City's electric and water customers are billed by the Customer Service Division, which is organizationally independent of any of the City's utilities. The Customer Service Division has developed standard operating procedures to guide staff when processing bills and bills are calculated by the billing system based on an assigned utility rate, which appeared to work effectively based on the recalculation of a judgment sample of eleven bills. For this reason, no recommendations were issued regarding electric and water billing calculation accuracy.

Standardized Adjustment Documentation Would Increase Assurance of Bill Accuracy

13. Establish guidance for Customer Service staff on what information must be included in the billing system to clearly explain the basis of adjustments made, including how any exceptions were identified.

Management Response: Concur

Customer Service Comments: Customer Service concurs and will update verbiage in the existing standard operating procedure related to billing adjustments to clarify and formalize expectations on proper notation of adjustments.

Audit Follow-Up Finding: Implemented

In June 2021 the Customer Service Division updated several of its standard operation procedures to include a requirement that all billing adjustments be accompanied by a clear documented explanation in the City's billing system. Based on a review of a statistical sample of 41 billing adjustments made between July and September 2023, all had clearly documented reasons for the adjustment being made.

14. Implement procedures for regular verification of billing adjustments by a supervisor or other designated staff. Documentation of these adjustment verifications should be retained.

Management Response: Concur

Customer Service Comments: Customer Service concurs and will clarify and formalize the quality verification process for adjustments. This process will include a monthly report of adjustments including notes which will be reviewed, actions noted, and all information retained for audit and accountability purposes. The report will consist of a 10% sample of all adjustments with a minimum of 100 records.

Audit Follow-Up Finding: Implemented

The Customer Service Division implemented a new standard operating procedure in June 2021 that requires at least 100 billing adjustments be reviewed for accuracy each month. These Division auditing procedures are adequately documented and appear to be effective based on the review of billing adjustments previously discussed.

Audit Project Background

The Internal Audit Department is responsible for providing: (a) an independent appraisal 1 of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with applicable regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Objectives, Scope, and Methodology

This report detailed the findings from a follow-up review of the Audit of Meter Reading & Billing: Electric & Water Utilities, which was intended to provide assurance that city management has established effective processes and procedures to ensure electric and water utility usage is accurately measured, read, and billed. This report is intended to provide a progress update on recommendations from the <u>Audit of Meter Reading & Billing: Electric & Water</u> <u>Utilities</u> originally issued in January 2021.

Audit fieldwork was conducted during October 2023. The scope of the review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation from the issued audit to develop criteria including industry standards, best practices, policies, and procedures;
- Interviewed Customer Service, Electric Metering, and Water Metering staff and reviewed policies and procedures about meter reading, billing, and testing activities;
- Reviewed new and updated policies and standard operating procedures related to meter-related work orders, electric meter testing, and billing adjustments;

- Reviewed a statistical sample of 96 electric and water meter-related work orders to determine if there was adequate documentation of the work performed;²
- Calculated the timeliness of electric and water meter-related work order completion and closure during fiscal year 2022-23;
- Compared water meter change-out work orders to water meters active in the billing system and evaluated active water meter revisit dates;
- Examined water and electric in-service meter testing results to determine compliance with industry standards and City procedures;
- Researched in-service meter testing industry standards and best practices for solid-state electric meters and ultrasonic water meters;
- Observed the beta version of the City's new utility customer service portal; and
- Reviewed a statistical sample of 41 billing adjustments from July through September 2023 to determine if there was adequate documentation of why the adjustment was made.³

Auditing Standards

We conducted this performance audit follow-up review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

 $^{^2}$ This sample provides with 95 percent confidence that the true population statistic is within ±10 percent of the sample estimate.

 $^{^3}$ This sample provides with 95 percent confidence that the true population statistic is within ±15 percent of the sample estimate.