

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



A Review of Alcorn State University's Provision of Utilities to Private Residences

In 1952, due to its rural location and limited natural gas services in the area, Alcorn State University (ASU) sought and was granted authority from the Board of Trustees of Institutions of Higher Learning (IHL Board) to install a pipeline to connect to an existing well head on campus. The pipeline is the only source of supply of natural gas for the operations of the university. Subsequently, in order to attract faculty, the university sought authority to allow faculty in private residences to connect to the university's gas and water systems. In 1968, the IHL Board granted authority allowing privately owned ASU faculty houses to connect to the water and gas lines of the university.

Alcorn State University has since exceeded the authority granted to it by the IHL Board by providing utility services to unauthorized individuals. Of the sixteen private property owners receiving utility services from ASU, only three are active faculty members according to the IHL Board's definition of faculty. ASU has also provided unauthorized services to these individuals. Whereas the IHL Board's order gave authority to tie in to the gas and water lines, ASU has also provided cable television and garbage collection services to these residents.

Alcorn State University does not assure that its utility charges are reasonable in terms of recovering the "full" cost of utilities and services. ASU has not ensured that faculty and staff living in private residences receiving water and natural gas through the university are metered and billed according to the actual units of service used. The university also has not maintained records to reflect the reasons or justification of monthly charges and the method used in determining proposed monthly charges for utility services.

ASU also has not properly managed its utility billing and collection system, resulting in uncollected accounts and loss of revenues.

October 7, 2003

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A flowing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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Honorable Ronnie Musgrove, Governor
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On October 7, 2003, the PEER Committee authorized release of the report entitled **A Review of Alcorn State University's Provision of Utilities to Private Residences.**

A handwritten signature in cursive script that reads "Mary Ann Stevens".

Representative Mary Ann Stevens, Chair

This report does not recommend increased funding or additional staff.

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A Review of Alcorn State University's Provision of Utilities to Private Residences

Executive Summary

Introduction

Alcorn State University is unique among Mississippi universities in that its location is somewhat isolated, not being in close proximity to any cities of large or moderate size. In 1952, due to the rural location and limited natural gas services in the area, Alcorn State University (ASU) sought and was granted authority from the Board of Trustees of Institutions of Higher Learning (IHL Board) to install a pipeline to connect to an existing well head on campus. The pipeline is the only source of supply of natural gas for the operations of the university.

Subsequently, in order to attract faculty to ASU, the university sought authority to allow faculty in private residences to connect to the university's gas and water systems. In 1968, the IHL Board granted authority allowing privately owned ASU faculty houses to connect to the water and gas lines of the university. At the time of PEER's review, sixteen private property owners (one of whom operates a ten-unit mobile home park) received utility services from ASU.

In 2002, a private citizen whose residence is adjacent to the university and private property served by ASU water and gas lines complained to PEER that ASU attempted to install a water line across his mother's property without a proper easement. This complaint raised questions concerning the university's authority to provide utility services to private property owners and how ASU was managing the utility system.

Background

ASU currently offers natural gas and water (including sewer) utilities and cable television and garbage collection services to the sixteen private property owners in the immediate area of the university campus.

ASU's Office of Business Affairs is primarily responsible for the administration of gas, water, cable television, and garbage collection services to these private residences. The university offers automatic payroll deduction for monthly utility and other service fees to all active faculty and staff who own private

residences. Retired faculty and nonfaculty are required to make payments to ASU's Bursar's office.

Conclusions

Alcorn State University has exceeded the authority granted to it by the IHL Board by providing utility services to unauthorized individuals (i.e., nonfaculty) and providing unauthorized services (i.e., cable television, garbage collection).

Alcorn State University has exceeded the authority granted to it by the IHL Board by allowing nonfaculty to connect to or use gas and water services that were to be limited to privately owned faculty houses. Of the sixteen private property owners receiving utility services from ASU, only three are active faculty members according to the IHL Board's definition of faculty.

Alcorn State University has also exceeded the authority granted by the IHL Board by providing utility services (i.e., cable television and garbage collection) other than those specified in IHL's order. Whereas the IHL Board's order gave authority to tie in to the gas and water lines, as of May 30, 2003, ASU provided cable television to fifteen private property owners and garbage collection services to thirteen private property owners.

Alcorn State University does not assure that its utility charges are reasonable in terms of recovering the "full" cost of utilities and services.

ASU's Business Affairs Office has not ensured that faculty and staff living in private residences receiving water and natural gas through the university are metered and billed according to the actual units of service used. University administrators have not acquired separate water and gas meters for the adjacent private residences. As a result, customers are not being charged for actual units of service used.

ASU's Business Affairs Office has not maintained records to reflect the reasons or justification of monthly charges and the method used in determining proposed monthly charges for water, natural gas, cable television, and garbage collection services. Thus PEER or another third party cannot determine the reasonableness and basis of amounts charged. Also, ASU did not give private property owners written notice of changes in monthly utility charges that went into effect on July 1, 2003.

With the exception of one resident who connected in 2002, ASU has no documentation to show that persons living in private residences paid fees to connect to ASU's water and natural gas lines. Thus ASU has no evidence that the university did not bear labor and material costs for these utility connections.

ASU has not properly managed its utility billing and collection system, resulting in uncollected accounts and loss of revenues.

From January 1, 1998, to May 30, 2003, the university has allowed faculty and nonfaculty who live in private residences to have past due utility accounts. As of May 30, 2003, five individuals had past due accounts totaling \$1,049; all but one of these accounts has since been paid. One account was eleven months past due as of May 30, 2003. ASU's Business Affairs Office also does not have deposit requirements and has not assessed late fees for customers who are past due in payment of utility bills. Until March 2003, ASU's Business Affairs Office had not generated reports of past due accounts or issued billing statements to residents.

The Office of Business Affairs does not have a written policy regarding disconnection of service for nonpayment of utilities. PEER found no record of service disconnection for residences that were as much as eighteen months past due.

Recommendations

1. Alcorn State University should seek authority from the Board of Trustees of Institutions of Higher Learning to continue service to existing customers or begin procedures to discontinue service to ineligible recipients.
2. The Board of Trustees of State Institutions of Higher Learning should reconsider its approval granting ASU permission to connect faculty to the university's water and natural gas system.
3. If the IHL Board chooses not to modify the order to authorize utility services to nonfaculty, the board should require Alcorn State University to cease providing utility services to nonfaculty who live in privately owned residences.
4. Alcorn State University should take immediate steps to ensure that water and gas services for residences of faculty and nonfaculty (if services are continued to this group) are metered. ASU should keep a record of meter measurements indicating the identification of the customer, current location of the meter, and purchase date. All water and natural gas furnished by the university to customers should be charged based on meter readings that indicate units used. ASU should, upon request of any customer, furnish a statement showing that the meter on customer's premises was read for billing purposes.
5. Alcorn State University should take the necessary steps to include in its standard operating policy and procedure a written description of the process used to arrive at monthly charges for water, natural gas, cable television, and garbage collection services, including the person or persons

responsible for developing and approving changes in monthly utility charges. Alcorn State University should arrive at a charge for services that is fair to Alcorn State University and faculty and nonfaculty who are users of services. Alcorn State University should identify in writing a clear, concise, and non-technical description of the proposed change in monthly charges, a statement of the reason, and justification of the change. Customers should be informed of the new monthly charges in writing within thirty days prior to the date when the new charges go into effect.

6. Alcorn State University should consider requiring a cash deposit from customers to guarantee the payment of any bills that may become due. The required deposit should not exceed an amount equivalent to a single estimated average bill for residential customers. ASU administrators should consider assessing late fees for customers who are delinquent in payment of water and natural gas, cable television, or garbage collection bills.
7. Alcorn State University should adopt written policies and procedures governing monthly billing and collection of customer accounts for utility service. In particular, these procedures should address delinquent accounts and the discontinuance of service for nonpayment. The Vice President of Business Affairs should ensure that his staff designs appropriate forms and completes the tasks necessary to implement these procedures.

The Vice President or his designee should review monthly past due reports and issue past due billing notices to utility customers who are thirty days past due. Alcorn State University should immediately collect on all past due accounts.

8. In the future, Alcorn State University should document that the faculty and staff who live in private residences have paid the university for connections from their private residences to the university's water and gas lines. ASU should provide documentation of payment to the Board of Trustees for the State Institutions of Higher Learning.

For More Information or Clarification, Contact:

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A Review of Alcorn State University's Provision of Utilities to Private Residences

Introduction

Authority

During its April 16, 2003, meeting, the PEER Committee authorized a limited management review of Alcorn State University's (ASU's) provision of utilities to private residences. PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972).

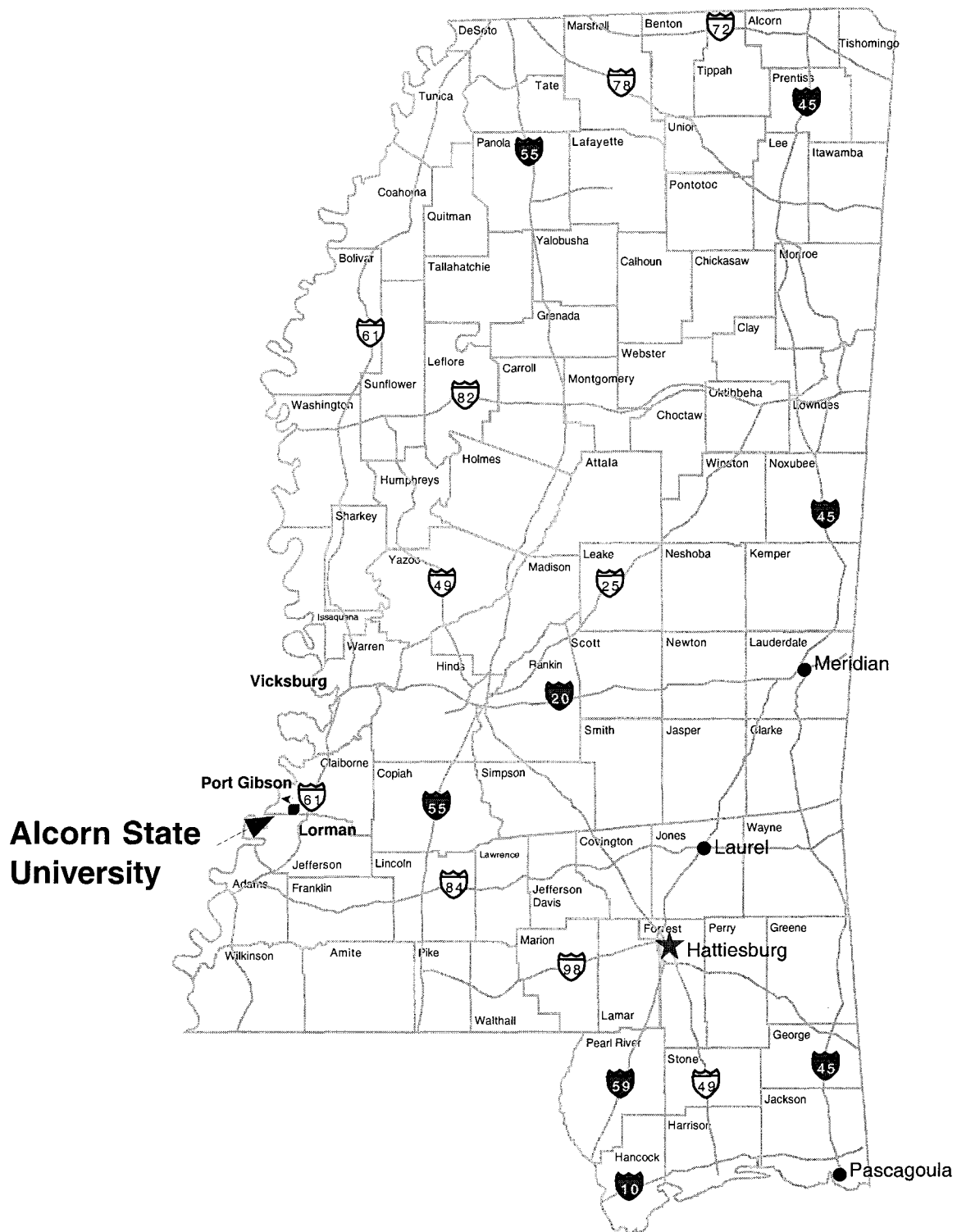
Problem Statement

Alcorn State University is located in the southwest corner of Claiborne County in the city of Alcorn, seven miles west of Lorman and seventeen miles southwest of Port Gibson. (See Exhibit 1, page 2.) ASU is unique among Mississippi universities in that its location is somewhat isolated, not being in close proximity to any cities of large or moderate size.

In 1952, due to the rural location and limited natural gas services in the area, ASU sought and was granted authority from the Board of Trustees of Institutions of Higher Learning (hereafter called the "IHL Board") to install a pipeline to connect to an existing well head on campus. The pipeline is the only source of supply of natural gas for the operations of the university.

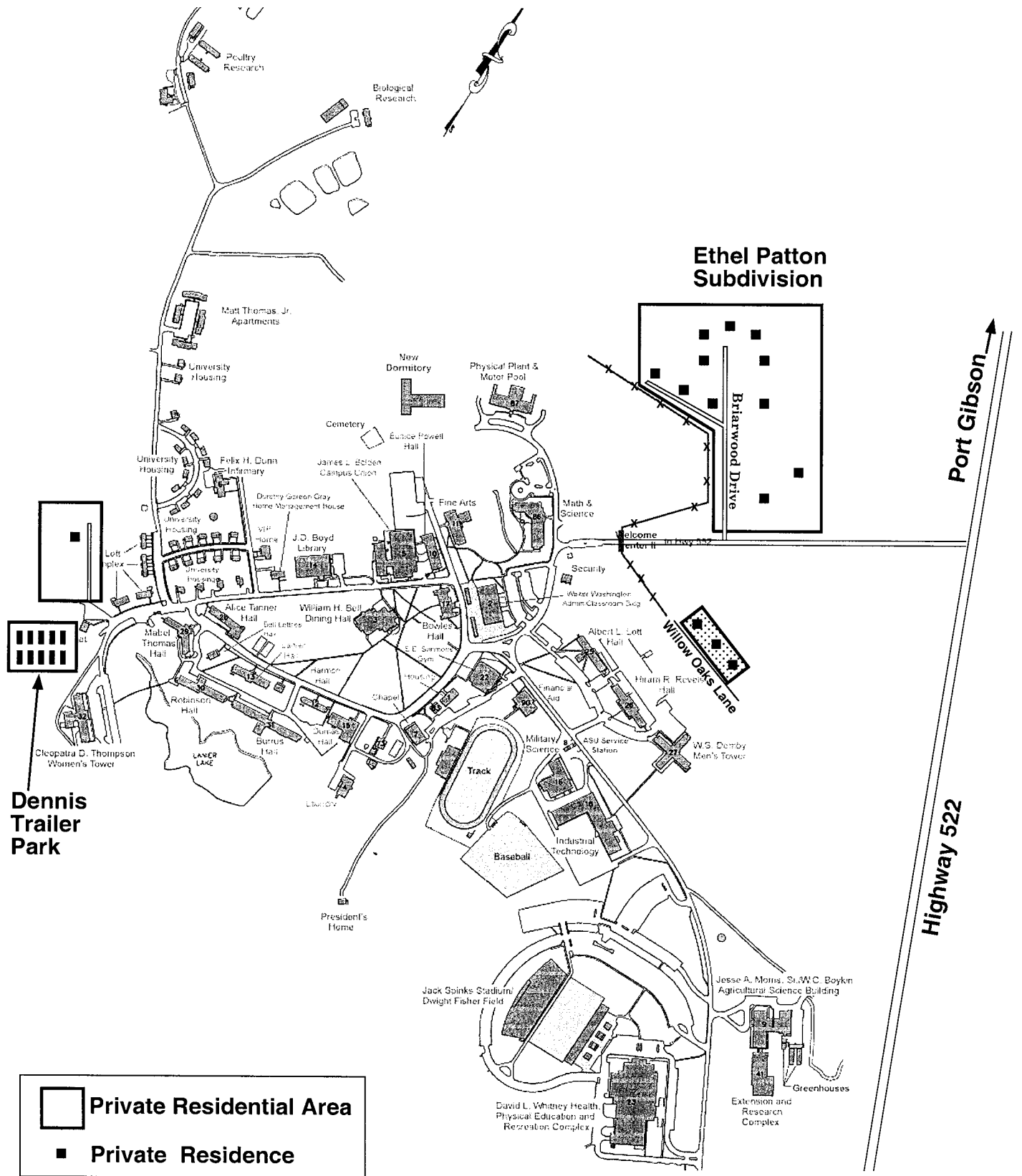
Subsequently, in order to attract faculty to ASU, the university sought authority to allow faculty in private residences to connect to the university's gas and water systems. In 1968, the IHL Board granted authority allowing privately owned ASU faculty houses to connect to the water and gas lines of the university. At the time of PEER's review, sixteen private property owners (one of whom operates a ten-unit mobile home park) received utility services from ASU. (See Exhibit 2, page 3, for a schematic of the ASU campus and private residence locations under discussion.)

Exhibit 1: Location of ASU Campus



SOURCE: Alcorn State University's location determined from the Official Highway Map of Mississippi

Exhibit 2: Schematic of the ASU Campus and Private Property Locations Served (As of June 23, 2003)



NOTE: Map does not reflect a residence on Highway 552

SOURCE: ASU Website and Physical Plant Staff

In 2002, a private citizen whose residence is adjacent to the university and private property served by ASU water and gas lines complained to PEER that ASU had attempted to install a water line across his mother's property without a proper easement. This complaint raised questions concerning the university's authority to provide such utility services to private property owners and how ASU was managing the utility system.

Scope and Purpose

PEER sought to determine whether:

- ASU's provision of utilities to private residences is in compliance with the authority granted by the Board of Trustees of State Institutions of Higher Learning;
- ASU charges reasonable fees for the utility services provided; and,
- ASU has consistently billed and collected for the services provided.

Method

In conducting this review, PEER:

- reviewed state law and regulations governing the Board of Trustees of Institutions of Higher Learning's responsibility for the general supervision of all the institutions of higher learning;
- reviewed property tax records of private residences that receive utility services from ASU;
- reviewed ASU's utility service billing records for private residences;
- reviewed retirement forms, letters of employment, and employee contracts;
- obtained utility cost information from local water, natural gas, cable television, and garbage service providers;
- reviewed Mississippi Public Service Commission's *Rules and Regulations* and *Rules of Practice and Procedure*, which provide useful guidelines for administering the ASU utility system;
- reviewed relevant Attorney General's opinions; and,

- reviewed minutes of the Board of Trustees of Institutions of Higher Learning.

PEER also interviewed IHL officials, ASU officials (including the Vice President of Business Affairs and his staff), and personnel of local water, natural gas, cable television, and garbage service providers in the Claiborne County area.

Background

Utility Services Provided by Alcorn State University to Private Residences

ASU currently offers natural gas and water (including sewer) utilities and television cable and garbage collection services to the sixteen private property owners in the immediate area of the university campus. A listing and description of these services is contained in Exhibit 3, below.

Exhibit 3: Description of Utilities and Services Offered by ASU to Private Residents

Utility/Service	Description
Natural Gas	On February 16, 1988, ASU entered into a twenty-year contractual agreement with Claiborne Natural Gas to supply the university's natural gas. ASU is not responsible for the repair or maintenance of pipelines located on private residential property. There are no gas meters for each residence that can be used to gauge actual usage.
Water	The university has its own water and wastewater treatment systems. ASU is not responsible for the repair or maintenance of pipelines located on private residential property. There are no water meters for each residence that can be used to gauge actual usage.
Television Cable	In 1990, ASU entered into an agreement with Shiers Communications to install the university's cable system. The university offered this service to faculty and nonfaculty living in private residences. ASU entered into a lease purchase plan with Shiers Communication for its cable system and has paid \$1 million for the system. The university has retained Shiers Communications to provide preventive maintenance and warranty repair, as well as repair on the cable television and broadband system.
Garbage Collection	On February 16, 1993, ASU entered into an agreement with Waste Management, Inc., to provide garbage collection services to the university. The university offers this service to faculty and nonfaculty living in private residences.

SOURCE: Vice President for Business Affairs and PEER's review of ASU's natural gas, cable television, and garbage collection contracts.

Fifteen private residences and one trailer park receive utility services and pay fees to Alcorn State University. Exhibit 2, page 3,

shows the locations of faculty and nonfaculty private residences near Alcorn State University's campus.

ASU's Administration of Utility Services

ASU's Office of Business Affairs is primarily responsible for the administration of gas, water, cable television, and garbage collection services to adjacent private residences. Providers bill the university directly for all services to the university. Owners of adjacent private residences are required to pay for services directly to the university. According to the Vice President of Business Affairs, faculty and nonfaculty owning private residences are required to follow university billing and payment policies and procedures; however, as discussed beginning on page 16, the university has no written policies and procedures addressing these matters.

The duties of establishing monthly charges, billing, maintaining accounting records, and collecting payments are primarily carried out by ASU's Vice President of the Office of Business Affairs, Bursar, Travel Coordinator, and Accounts Receivable Clerk. Exhibit 4, below, outlines these duties.

Exhibit 4: Utility-Related Responsibilities of Positions Within the ASU Business Affairs Office

Position	Responsibility
Vice President of the Office of Business Affairs	establishes fees for services, establishes operating policies and procedures for the administration of utility and other services
Bursar	collects payments and issues receipts to customers
Travel Coordinator	makes adjustments on customer accounts, mails billing statements and late payment notices to customers
Accounts Receivable Clerk	posts payments, prepares billing statements, and prepares monthly billing reports

SOURCE: Interviews with Vice President of Business Affairs and Business Affairs Office staff.

The university offers automatic payroll deduction for monthly utility and other service fees to all active faculty and staff who own private residences. Only one active faculty member has decided to pay monthly charges directly to the Bursar. Retired faculty and nonfaculty are required to make payments to ASU's Bursar's office.

Conclusions

ASU's Compliance with Order Allowing Utility Services to Private Property Owners

Alcorn State University has exceeded the authority granted to it by the IHL Board by providing utility services to unauthorized individuals (e.g., nonfaculty) and providing unauthorized services (i.e., cable television, garbage collection).

In 1968, the IHL Board granted ASU the authority to allow privately owned faculty houses to connect to the water and gas lines of the university.

Section 213-A of the CONSTITUTION of 1890 grants the Board of Trustees of the Institutions of Higher Learning the responsibility to supervise public higher education in Mississippi. Also, MISS. CODE ANN. § 37-101-1 (1972) gives the IHL Board supervision and control of the state's public institutions.

In 1968 Alcorn State University asked the Institutions of Higher Learning's Board of Trustees to grant permission for privately owned faculty houses to tie in on its gas and water pipelines. On August 15, 1968, the State Institutions of Higher Learning's Board of Trustees granted approval:

...for privately-owned faculty houses to tie in on the gas and water line of Alcorn College [now Alcorn State University]. The full cost of the utilities will be paid by owner.

However, ASU's practices do not comply with the strict language of the board order, which limits services to faculty only and water and natural gas services only.

Provision of Utility Services to Ineligible Recipients

Alcorn State University has exceeded the authority granted by the IHL Board by allowing nonfaculty to connect to or use gas and water services that were to be limited to privately owned faculty houses.

Alcorn State University currently provides services to ineligible recipients under the language of the order that granted authority for *faculty* to connect to its water and gas lines.

Section 402.01 of the Board of Trustees of the Institutions of Higher Learning Policies and Bylaws defines faculty as:

[T]he teaching staff and those members of the administrative staff having academic rank in a college, university or other educational institution or one of its divisions. In all institutions the faculty will

consist of the Corps of Instruction and administrative officers with faculty rank.

- *Corps of Instruction* includes full-time professors, associate professors, assistant professors, instructors, lecturers, and teaching personnel with other titles as approved by the board.
- *Administrative Officers* includes faculty members who have academic rank and rights of tenure in the Corps of Instruction and who accept an appointment to an administrative office.

Of the sixteen private property owners receiving utility services from ASU, only three are active faculty members.

Of the sixteen private property owners receiving utility services from Alcorn State University, only *three* are active faculty members. The remainder are retired faculty, active or retired staff members, or survivors of deceased staff members. These individuals have been allowed to remain connected to ASU's water and natural gas pipeline, although they were not eligible under the language of the order.

Provision of Ineligible Services to Private Property Owners

Alcorn State University exceeded the authority granted by the IHL Board by providing utility services (i.e., cable television and garbage collection) other than those specified in IHL's order.

As noted above, the IHL Board granted permission to ASU to connect faculty and staff to the university's water and natural gas system. However, the board's order did not grant approval for faculty to use the university's cable television or garbage collection service. The board's order limited the authority granted "*to tie-in on the gas and water line of Alcorn College.*"

As of May 30, 2003, ASU provided cable television to fifteen private property owners and garbage collection services to thirteen private property owners.

ASU has continued to provide cable television and garbage collection services to faculty and nonfaculty in adjacent privately owned residences. As of May 30, 2003, ASU provided cable television to fifteen private property owners and garbage collection services to thirteen private property owners. Four of the thirteen residents that have garbage collection service with ASU once a week also receive garbage collection service once a week from Claiborne County.

By providing services intended for faculty members to unauthorized individuals (staff or retired faculty), ASU could subject itself to liability to extend services to individuals other than those covered under the order.

Reasonableness of Monthly Charges

ASU does not assure that its utility charges are reasonable in terms of recovering the "full" cost of utilities and services.

ASU lacks the ability to measure private property owners' usage of gas and water utilities or a methodology for determining monthly cost. Thus the university cannot determine whether private property owners are paying the "full" cost of the utility provided as required by the 1968 IHL Board's order. The order stated that: "The full cost of the utilities will be paid by owner."

Inability to Measure Usage

ASU's Business Affairs Office has not ensured that faculty and staff living in private residences receiving water and natural gas through the university are metered and billed according to the actual units of service used.

Since Alcorn State University began connecting faculty and staff to the university's water and natural gas, university administrators have not acquired separate water and natural gas meters for private residences to measure and bill customers for units of service.

ASU administrators have not acquired separate water and natural gas meters for private residences.

Although the university is not required to abide by Mississippi's rules and regulations governing public utility service, these rules and regulations set forth model guidelines for operation of a public utility. One key component of the rules requires that customers be separately metered and billed. Bills should show the meter reading and the date at the end of the period covered by the bill, the quantity consumed, and the gross and/or net amount of the bill.

ASU's Vice President of Business Affairs told PEER that the university considered having Mississippi Valley Gas Company install individual gas meters but there was a restriction that prevented placement of meters on houses because ASU had a dedicated pipeline. The university administrators also decided against obtaining water meters because of the cost to the university.

Without separate meters, the university could be recovering less or more than the full cost of water or gas used by private property owners.

Without separate metering, Alcorn State University has no means of knowing the number of units of service provided to individual customers. As a result, customers are not being charged for actual units of service used and the university could be recovering less (or more) than the full cost of water or gas used by private property owners.

Lack of Methodology for Determining Monthly Costs

ASU's Business Affairs Office has not maintained records to reflect the reasons or justification of monthly charges and the method used in determining proposed monthly charges for water, natural gas, cable television, and garbage collection services.

PEER examined monthly fee changes for water, natural gas, cable television, and garbage collection services over a twenty-year period to assess the reasonableness of amounts charged to

faculty and staff and the basis or justification for changes in monthly charges.

Alcorn State University's Vice President for Business Affairs noted that there had been changes in monthly charges prior to 1990 but could not produce documentation to reflect the basis of such changes. According to the Vice President for Business Affairs, ASU could not produce records of customer accounts because records had been stored in a room with mildew and could not be retrieved. The university did not have written documentation to support changes in monthly charges from 1990 to 2003.

The university does not have written documentation to support changes in monthly utility charges from 1990 to present.

PEER did obtain records showing that as of June 30, 1990, monthly water charges were \$30 and cable television charges were \$16. The same charges were in effect on June 30, 2003. Charges for natural gas were \$30 per month as of June 30, 1990, but increased to \$64 as of June 30, 2003. ASU did not enter into a contractual agreement for garbage collection service until 1993.

On July 1, 2003, the Vice President of Business Affairs increased monthly charges for water and cable television, by \$12 and \$6 per month, respectively. However, the university's monthly charge for natural gas decreased by \$12 monthly, or 19% (from \$64 to \$52). According to the Vice President of Business Affairs, an error was made by increasing the monthly charge for natural gas to \$64. The monthly charge for natural gas was increased by \$12 when there should have been a \$12 increase in the monthly charges for water. The change in monthly charges as of July 1, 2003, reflects an adjustment of the error. There was no increase in the monthly charge for garbage collection, which has remained at \$11. Exhibit 5, below, shows ASU's monthly charges for utilities as of June 30, 1990; June 30, 2003; and July 1, 2003.

Exhibit 5: Schedule of ASU's Monthly Charges for Utilities and Other Services (As of June 30, 1990; June 30, 2003; and July 1, 2003)

Type of Service	Charge as of June 30, 1990	Charge as of June 30, 2003	Charge as of July 1, 2003	Increase Amount	% Change
Water (Sewer)	\$30	\$30	\$42	\$12	40%
Natural Gas	\$30	\$64	\$52	(\$12)	(19%)
Cable Television	\$16	\$16	\$22	\$6	38%
Garbage	•	\$11	\$11	\$0	0%

- ASU did not report a monthly charge for garbage collection.

SOURCE: Alcorn State University's Business Affairs Office.

MISS. CODE ANN. § 77-3-37 (1972) provides for changes in rates, with all regulated public utility operations falling under the general oversight authority of the Mississippi Public Service Commission. While ASU is not considered to be a regulated utility

company, these laws, and the commission's *Rules and Regulations* and *Rules of Practice and Procedure* could provide useful information that could serve as a guide for administering the ASU utility system.

The absence of a clear and acceptable method for changing the amounts charged for utilities could mean that customers are overcharged or undercharged for services.

Without having sufficient documentation, including the university's reasons for making changes in the amounts charged for utilities, PEER cannot determine the reasonableness and basis of fees charged to faculty and staff. The absence of a clear and acceptable method for changing the amounts charged for utilities could mean that customers are overcharged or undercharged for services.

ASU's Charges Exceed Others in the Market Area

ASU's monthly charges for water and natural gas are higher than charges of local providers in the area.

PEER obtained rate amounts from local gas and water providers and determined that ASU's monthly charges for water and natural gas are higher than those of providers serving other Claiborne County residents. Prior to July 1, 2003, ASU's monthly water charge was \$30 and natural gas was \$64. Exhibit 6, below, compares ASU's charges for water and gas with those of local providers as of July 1, 2003.

Exhibit 6: Comparison of ASU's Monthly Water and Natural Gas Charges with Those of Local Providers (As of July 1, 2003)

ASU Water	\$42.00
Port Gibson Water Dept.*	\$27.00-\$30.00
Lorman Water Assn.	\$17.75
ASU Gas	\$52.00
Mississippi River Gas *	\$44.63

* Average monthly rates

SOURCE: Alcorn State University, Port Gibson Water Department, Lorman Water Association, and Mississippi River Gas.

Lack of Documentation of Payment of Connection Costs

With the exception of one resident who connected in 2002, ASU has no documentation to show that persons living in private residences paid fees to connect to ASU's water and natural gas lines.

According to ASU's Vice President for Business Affairs, when the IHL Board granted approval to Alcorn State University for

privately owned faculty houses to tie in on the gas and water line of Alcorn College, original homeowners in the Ethel Patton subdivision paid for connection costs through the subdivision. However, his office could not produce documentation showing that the subdivision owners and private property owners of residences near campus who have been connected to water and natural gas lines had paid connection costs.

Without documentation of payments made by those whose homes are connected to the university's water and natural gas lines, ASU has no evidence that the institution did not bear labor and material costs for such utility connections.

Likewise, ASU could not produce records of installation costs being collected. In only the most recent instance of a connection occurring in 2002 could ASU produce documentation showing collection of fees for installation. A good management practice of the university would have been to generate a report to the IHL Board showing the names of the faculty who were connected to ASU's water and natural gas lines and the method of payment for labor and material costs for each customer.

Without documentation of payments made by faculty and staff whose homes are connected to the university's water and natural gas lines, ASU has no evidence that the institution did not bear labor and material costs for such utility connections.

Lack of Proper Notice Regarding Changes in Monthly Utility Charges

ASU did not give private property owners written notice of changes in monthly utility charges that went into effect on July 1, 2003.

After PEER staff conducted fieldwork at ASU on June 20 and 25, 2003, ASU provided information to PEER on changes in monthly charges for utilities. ASU's Comptroller told PEER that ASU had established a new cost schedule that went into effect on July 1, 2003. PEER requested a copy of the letter and new schedule that had been mailed to customers. ASU's Comptroller was unable to produce documentation because she said that the customers had been notified by telephone on July 18, 2003.

Good management practice would require that ASU be able to verify that notice was provided to each affected customer of changes in charges and be able to provide the date the notice was mailed.

Although the university is not required to abide by Mississippi's rules and regulations governing public utility service, these rules and regulations set forth model guidelines for operation of a utility. One key component of the rules requires that notice to customers of rate changes should contain a statement of the changes proposed to be made in the rates then in force, the reasons for proposed changes, and the date proposed for such changes to become effective, which date should not be less than thirty days before the new rate goes into effect. Good management practice would require that ASU's Business Affairs Office be able to verify that notice was provided to each affected customer and be able to provide the date the notice was mailed.

Although the university is not required to abide by Mississippi's laws and regulations government operation of public utilities, MISS. CODE ANN. § 77-3-37 (1972) provides guidelines for public utilities to make rate changes under the Mississippi Public Service Commission's authority. These laws and Mississippi Public Service Commission's *Public Utilities Rules of Practice and*

Procedure booklet provide useful information that could be used by ASU regarding rate base considerations and rate changes.

ASU's Consistency in Billing and Collection of Accounts

ASU has not properly managed its utility billing and collection system, resulting in uncollected accounts and loss of revenues.

Allowing Delinquent Accounts

From January 1, 1998, to May 30, 2003, the university allowed faculty and nonfaculty who live in private residences to have past due utility accounts. As of May 30, 2003, five individuals had past due accounts totaling \$1,049; all but one of these accounts has since been paid. One account was eleven months past due as of May 30, 2003.

ASU could not produce documentation showing that past due billing or disconnection notices had been mailed to any of the customers with past due accounts.

PEER reviewed billing records for the period January 1, 1998, through May 30, 2003, and determined that as of May 30, 2003, five individuals living in private residences and receiving utility services through Alcorn State University were past due on their accounts. A total amount of \$1,049 in revenues was outstanding and had not been collected by the Business Affairs Office. One individual whose home had been vacant for three years was eleven months past due and owed \$517. The Vice President of Business Affairs could not produce documentation showing that past due billing or disconnection notices had been mailed to any of the customers with past due accounts. PEER obtained documentation showing all but one of the past due accounts had been paid and were current. Exhibit 7, below, shows past due accounts as of May 30, 2003.

Exhibit 7: Summary Of Past Due Accounts (As of May 30, 2003)

Recipient	Faculty or Staff	Amount Past Due	Number of Months Account Past Due
1	Retired Staff	\$242	2
2	Retired Staff	\$517	11
3	Faculty	\$121	1
4	Retired Staff	\$125	1
5	Wife of Deceased Staff	\$ 44	1
TOTAL		\$1,049	

SOURCE: ASU Business Affairs Office.

Lack of Deposits or Late Fee Penalties

ASU's Business Affairs Office does not have deposit requirements and has not assessed late fees for customers who are past due in payment of water, natural gas, cable television, or garbage collection bills.

As mentioned earlier, with the exception of one faculty member, all active faculty and staff at Alcorn State University who live in private residences and receive services through the university pay for services through monthly payroll deduction. Retired faculty and nonfaculty, survivors of deceased faculty, and staff who live in private residences pay for services to ASU's Bursar's Office.

During interviews with Alcorn State University's Vice President for Business Affairs, PEER determined that ASU has not imposed deposit requirements nor has the university assessed late fees to retired faculty and staff and survivors of deceased faculty and staff.

The university's failure to collect bill payments in a timely manner or disconnect services has created a situation where large overdue balances have been permitted with little assurance that individuals with no ties to ASU will make payment. For example, one retired faculty member made a payment on April 29, 2003, in the amount of \$2,178 for an account that was eighteen months past due. From 1999 to 2001, this same retired faculty member has frequently been allowed to become six months past due, owing the university \$726, and eleven months past due, owing \$1,331.

Without deposit requirements for customers who pay utility bills through the Bursar's Office, the university runs the risk of having final bills unpaid.

Although the university is not required to abide by Mississippi's rules and regulations governing public utility service, these rules and regulations set forth model guidelines for operation of a public utility. One key component of the rules allows utilities to have deposit requirements for customers to guarantee the payment of bills that may become due and the safe return of all property belonging to the utility installed at the customer's residence. Deposits should not exceed an amount equivalent to a single estimated average residential customer bill. Good business practice would allow for the assessment of late fees for customers who are delinquent in paying their bills to encourage customers to make timely payments and cover any administrative costs for time and resources spent trying to collect bill payments from the delinquent customer.

Good business practice would allow assessment of late fees to encourage customers to make timely payments and to cover administrative costs for time and resources spent trying to collect delinquent payments.

Without deposit requirements for customers who must pay bills through the Bursar's Office and who cannot have bills paid through the monthly payroll deduction system, the university runs the risk of having retired faculty and staff, or survivors of deceased faculty and staff, who may not pay final bills to the university.

No Periodic Billing Cycle

Until March 2003, ASU's Business Affairs Office had not generated reports of past due accounts or issued billing statements to residents.

Until March 2003, ASU's Business Affairs Office had not generated reports of past due accounts or issued billing statements to faculty and nonfaculty who pay for services through the university. The Vice President could not provide copies of monthly past due account reports or copies of past due notices sent to customers. PEER reviewed accounts from 1998 to May 30, 2003, and observed that some faculty and nonfaculty were thirty days or more past due on their accounts.

ASU's Vice President of Business Affairs has not developed written rules and regulations governing billing for utility services provided to private property owners.

The Vice President of Business Affairs has not developed written rules and regulations pertaining to delinquent bills and discontinuance of service. No one in the Business Affairs Office is reviewing monthly reports of past due accounts of faculty and staff to determine who is not current in paying their bill for water, natural gas, cable television, and garbage collection services nor issuing delinquent notices on past due accounts. Mississippi rules and regulations governing public utility service allow utilities to establish rules and regulations for nonpayment of bills. However, the Vice President of Business Affairs has not developed rules and regulations governing billing for water, natural gas, cable television, and garbage collection services provided to faculty and staff.

No Service Disconnection Procedures

The Office of Business Affairs does not have a written policy regarding disconnection of service for nonpayment of utilities. PEER found no record of service disconnection for residences that had been as much as eighteen months past due.

ASU's failure to exercise measures to discontinue services to delinquent recipients results in unnecessary costs borne by ASU.

As noted above, the Vice President of Business Affairs has not developed written rules and regulations pertaining to delinquent bills and discontinuance of service for accounts that are more than thirty days past due. As of May 30, 2003, PEER identified two accounts of faculty or nonfaculty that were thirty or more days past due on their accounts but had not been disconnected from services provided by ASU. During the review of billing statements, PEER determined that one retired faculty member made a payment to ASU on April 29, 2003, in the amount of \$2,178. This represented eighteen months of delinquent payments for water, natural gas, cable television, and garbage collection services with fees totaling \$121 per month. In May 22, 2000, the same retired faculty member had paid \$1,331 to ASU for eleven months of delinquent payments.

Although the university is not required to abide by Mississippi's rules and regulations governing public utility service, these rules and regulations set forth model guidelines for operation of a

utility. One key component of the rules requires that utilities establish rules and regulations for nonpayment of bills. Due diligence must be used to give customers notice of delinquency and reasonable opportunity to pay bills before service is discontinued. The absence of rules and regulations governing delinquent bills and disconnection of service by the university does not insure good business practice and creates an environment to which overdue funds could be unrecoverable as a result of the university's failure to serve notice, collect for, or discontinue services. Without providing a delinquent bill notice to customers, the university could not discontinue service for nonpayment. ASU's failure to exercise measures to discontinue services to delinquent recipients results in unnecessary costs borne by ASU.

Recommendations

1. Alcorn State University should seek authority from the Board of Trustees of Institutions of Higher Learning to continue service to existing customers or begin procedures to discontinue service to ineligible recipients.
2. The Board of Trustees of State Institutions of Higher Learning should reconsider its approval granting ASU permission to connect faculty to the university's water and natural gas system.
3. If the IHL Board chooses not to modify the order to authorize utility services to nonfaculty, the board should require Alcorn State University to cease providing utility services to nonfaculty who live in privately owned residences.
4. Alcorn State University should take immediate steps to ensure that water and gas services for residences of faculty and nonfaculty (if services are continued to this group) are metered. ASU should keep a record of meter measurements indicating the identification of the customer, current location of the meter, and purchase date. All water and natural gas furnished by the university to customers should be charged based on meter readings that indicate units used. ASU should, upon request of any customer, furnish a statement showing that the meter on the customer's premises was read for billing purposes.
5. Alcorn State University should take the necessary steps to include in its standard operating policy and procedure a written description of the process used to arrive at monthly charges for water, natural gas, cable television, and garbage collection services, including the person or persons responsible for developing and approving changes in monthly utility charges. Alcorn State University should arrive at a charge for services that is fair to Alcorn State University and faculty and nonfaculty who are users of services. Alcorn State University should identify in writing a clear, concise, and non-technical description of the proposed change in monthly charges, a statement of the reason, and justification of the change. Customers should be informed of the new monthly charges in writing within thirty days prior to the date when the new charges go into effect.
6. Alcorn State University should consider requiring a cash deposit from customers to guarantee the payment of any bills that may become due. The required deposit should not exceed an amount equivalent to a single estimated

average bill for residential customers. ASU administrators should consider assessing late fees for customers who are delinquent in payment of water and natural gas, cable television, or garbage collection bills.

7. Alcorn State University should adopt written policies and procedures governing monthly billing and collection of customer accounts for utility service. In particular, these procedures should address delinquent accounts and the discontinuance of service for nonpayment. The Vice President of Business Affairs should ensure that his staff designs appropriate forms and completes the tasks necessary to implement these procedures.

The Vice President or his designee should review monthly past due reports and issue past due billing notices to utility customers who are thirty days past due. Alcorn State University should immediately collect on all past due accounts.

8. In the future, Alcorn State University should document that the faculty and staff who live in private residences have paid the university for connections from their private residences to the university's water and gas lines. ASU should provide documentation of payment to the Board of Trustees for the State Institutions of Higher Learning.



INSTITUTIONS OF HIGHER LEARNING

Office of Commissioner
October 2, 2003

Mr. Max Arinder, Ph.D
Executive Director
PEER Committee
501 North West Street
Suite 301A
Jackson, MS 39201

Re: Alcorn State University's Provisions of Utilities to Private Residences

Dear Dr. Arinder:

The Board of Trustees has received your Executive Summary of *A Review of Alcorn State University's Provision of Utilities to Private Residences*. In this draft executive summary, you stated the problem as follows:

ASU is located in the southwest corner of Claiborne County in the city of Alcorn, seven miles west of Lorman and seventeen miles southwest of Port Gibson. ASU is unique among Mississippi's universities in that its location is somewhat isolated, not being in close proximity to any cities of large or moderate size.

In 1952, due to the rural location and limited natural gas services in the area, ASU sought and was granted authority from Board of Trustees of IHL to install a pipeline to link to an existing well head on campus. The pipeline is the only source of supply of natural gas for the operations of the university.

Subsequently, in order to attract faculty to ASU, the university sought to allow the faculty in private residences to link to the university's gas and water systems. In 1968, the IHL Board granted authority allowing privately-owned ASU faculty houses to link to the water and gas lines of the university.

At the time of PEER's review, sixteen private property owners (one of whom operates a ten-unit mobile home park) received utility services from ASU.

In 2002, a private citizen whose residence is adjacent to the university and private property served by ASU water and gas lines complained to PEER that ASU attempted

to install a water line across his mother's property without a proper easement. This complaint raises questions concerning the university's authority to provide such utility services to private property owners and how ASU was managing the utility system.

The draft PEER report goes on to make eight recommendations, two of which refer to possible actions that might be taken by the Board of Trustees of State Institutions of Higher Learning. Specifically, PEER's recommendations #2 and #3 are as follows:

2. *The Board of Trustees of State Institutions of Higher Learning should reconsider its approval granting ASU permission to connect faculty to the university's water and natural gas system.*
3. *If the IHL Board chooses not to modify the order to authorize utility services to nonfaculty, the Board should require ASU to cease providing utility services to nonfaculty who live in privately owned residences.*

The Board of Trustees responds to PEER's recommendations as follows:

Response to PEER Recommendation 2:

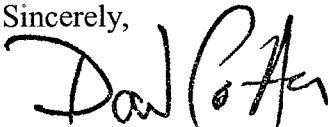
As recommended by PEER, the Board of Trustees of State Institutions of Higher Learning will reconsider its approval granting Alcorn State University permission to connect faculty to the University's water and natural gas system.

Response to PEER Recommendation 3:

As recommended by PEER, if, after reconsideration, the Board of Trustees of State Institutions of Higher Learning determines that it is in the best interests of Alcorn State University not to modify the Board's previous order, the Board will require the University to cease providing utility services to nonfaculty who live in privately owned residences.

I hope this information has been beneficial to you. If you need anything further, please contact Frank Alley, Assistant Commissioner of Construction and Physical Affairs, at 432-6644.

Sincerely,



David Potter
Commissioner



ALCORN STATE UNIVERSITY

1000 ASU DRIVE, 359
ALCORN STATE, MISSISSIPPI 39096-7500

OFFICE OF THE PRESIDENT

October 2, 2003

(601) 877-6111
FAX: (601) 877-2975

REVISED

Dr. Max Arinder
Executive Director
PEER Committee
222 N. President Street
Jackson, MS 39201

Dear Dr. Arinder:

Alcorn State University has received the draft of the PEER Committee's Executive Summary regarding the University's provision of utilities to private residences. I have enclosed for your review Alcorn State's revised response to the recommendations. The revised response includes a draft policy operating manual.

If you have questions or need additional information, please feel free to contact my office at (601) 877-6111. Thank you for your support and assistance in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Clinton Bristow, Jr.".

Clinton Bristow, Jr.
President

CBJ:krs

Enclosures

**ALCORN STATE UNIVERSITY'S RESPONSE TO THE PEER COMMITTEE'S
REVIEW OF THE UNIVERSITY'S PROVISION OF UTILITIES TO PRIVATE
RESIDENCES**

October 2, 2003

OVERVIEW

Alcorn State University (ASU) was granted authority by the IHL Board in 1968 to provide water and gas to privately owned ASU faculty residences because it needed to attract faculty to a rural location. The provision of utilities to privately owned residence has led to the attraction of faculty, staff and administrators to the university. These individuals have built their own homes adjacent to the University and brought new resources and tax revenue to the county. The University interpreted the initial grant of authority in 1968 to include those individuals affiliated with the University and to be broad enough to mean all services.

The University has billed and collected for all services rendered to all parties. All accounts are current as of this date.

RESPONSES

Peer Recommendation:

Alcorn State University should seek authority from the Board of Trustees of State Institutions of Higher Learning to continue service to existing customers or begin procedures to discontinue service to ineligible recipients.

ASU Response: The University accepts this recommendation and will seek authority from the Board of Trustees of State Institutions of Higher Learning to continue current services to all existing customers.

Peer Recommendation:

Alcorn State University should take immediate steps to ensure that water and gas services for residences of faculty and non-faculty (if services are continued to this group) are metered. ASU should keep a record of meter measurements indicating the identification of the customer, current location of the meter, and purchase date. All water and natural gas furnished by the University to customers should be charged based on meter readings that indicate units used. ASU should, upon request of any customer, furnish a statement showing that the meter on customer's premises was read for billing purposes.

ASU Response: The University accepts this recommendation and if continuation authority is granted, the University will require all users to install water and gas meters at their expense. Records will be kept of all meter installations. Users will be charged based on meter readings indicating units used and upon request users will get reading statements.

Peer Recommendation:

Alcorn State University should take the necessary steps to include in its standard operating policy and procedure a written description of the process used to arrive at monthly charges for water, natural gas, cable television, and garbage collection services, including the person or person responsible for developing and approving changes in monthly utility charges. Alcorn State University should arrive at a charge for services that is fair to Alcorn State University and faculty and nonfaculty who are users of services. Alcorn State University should identify in writing a clear, concise and non-technical description of the proposed change in monthly charges, a statement of the reason, and justification of the change. Customers should be informed of the new monthly charges in writing within thirty days prior to the date when the new charges go into effect.

ASU Response: The University accepts this recommendation and will include a written description of the process used to ascertain all charges for services in its operating policy manual. The University will set forth in writing its description of any proposed rate changes and reasons justifying the change. All customers will receive 30 days prior notice of any change in charges. A draft operating policy manual is set forth in Exhibit I.

Peer Recommendation:

Alcorn State University should consider requiring a cash deposit from customers to guarantee the payment of any bills that may become due. The required deposit should not exceed an amount equivalent to a single estimated average bill for residential customers. ASU administrators should consider assessing late fees for customers who are delinquent in payment of water and natural gas, cable television, or garbage collection bills.

ASU Response: The University accepts this recommendation and will require all users to have deposits. The assessing of late fees will be considered.

Peer Recommendation:

Alcorn State University should adopt written policies and procedures governing monthly billing and collection of customer accounts for utility service. In particular, these procedures should address delinquent accounts and the discontinuance of service for nonpayment. The Vice President for Business Affairs should ensure that his staff designs appropriate forms and completes the tasks necessary to implement these procedures.

The Vice President or his designee should review monthly past due reports and issue past due billing notices to utility customers who are thirty days past due. Alcorn State University should immediately collect on all past due accounts.

ASU Response: The University accepts this recommendation and will adopt written policies and procedures governing monthly billing and collection of customer accounts for utility service. These procedures will address delinquent accounts and the discontinuance of service for nonpayment. These procedures are spelled out in the draft operating manual in Exhibit I. Alcorn State University will immediately collect on all past due accounts.

Peer Recommendation:

In the future, Alcorn State University should document that the faculty and staff who live in private residences have paid the university for connections from their private residences to the University's water and gas lines. ASU should provide documentation of payment to the Board of Trustees of State Institutions of Higher Learning.

ASU Response: The University accepts this recommendation and will document in the future that the faculty and staff who live in private residences have paid the university for connections from their private residences to the university's water and gas lines. ASU will provide documentation of payment to the Board of Trustees of State Institutions of Higher Learning.

EXHIBIT I

**ALCORN STATE UNIVERSITY
ALCORN STATE, MISSISSIPPI**

**PROVISION OF UTILITIES
AND SERVICES**

DRAFT MANUAL

September 24, 2003

PROVISION OF UTILITIES AND SERVICES

This manual of policies and procedures will govern Alcorn State University's provision of authorized utilities and services to users. The University will utilize methodologies that protect the interest of the University, recover all costs and fairly assess charges to users.

Section 1.0 Request for Services

Authorized users as defined by the IHL Board of Trustees, may submit a written request for services to the Office of Business Affairs at the University on the Request for Services form (Appendix A). The request for services will be reviewed and approved or not approved by the Vice President for Business Affairs or his/her designee.

Section 2.0 Meters

2.1 Installation

If a request for services is approved, the University will have meters installed on meterable services and bill users for the installation. The University will provide documentation of payment for meters and connections to the Board of Trustees of Institutions of Higher Learning (IHL) on an annual basis. Users will be charged for all meter inspections, repairs and upgrades.

2.2 Measurements

The University will keep a record of meter measurements indicating the identification of the customer, current location of the meter and purchase date. All water and natural gas furnished by the University to users will be charged based on meter readings that indicate units used.

2.3 Meter Readings

Meters will be read monthly.

The University, upon request of any user, will furnish a statement showing that the meter on user's premises was read for billing purposes (units used). Charges per unit used will also be furnished.

Section 3.0 Charges

3.1 Charges for Metered Services

Unit charges for metered services will be based on the University's actual costs per unit. The University's actual costs will be determined monthly by the University's Director of Accounting and approved by the Vice President for Business Affairs.

3.2 Charges for Non-meter Services

Charges for non-metered services will be based on the University's actual costs for the services prorated on a per user basis. The University's actual costs will be determined by the University's Director of Accounting and approved by the Vice President for Business Affairs.

3.3 Administrative Charges

The University may charge a reasonable administrative fee if recommended by the Director of Accounting and approved by the Vice President for Business Affairs.

3.4 Change in Charges

The University reserves the right to change charges based on its costs with 30 days prior written notice of any change and the reasons thereof to the user. The change shall be initiated by the Director of Accounting based on costs to the University and approved by the Vice President for Business Affairs.

Section 4.0 Deposits

The University will require all users to place with the Business Affairs Office one month's deposit for all services. This deposit must be made before any services will be extended. The deposit will be refunded at the end of the user period if the account is current. The deposit may be used to cover any arrearage past 10 days.

Section 5.0 Delinquent Accounts and Discontinuance of Service

Users will be billed monthly for all services. Any account not paid in full in 10 days past the billing date will be considered delinquent. The University reserves the right to use the deposit to cover any delinquency past due 10 days. A notice of termination for non-payment will be mailed to all users who are delinquent (Appendix B). Users who are

terminated will be required to pay all costs necessary to terminate and re-start services and post two months deposit before being re-installed.

Section 6.0 General Termination of Services

- 6.1** The University reserves the right to terminate service (s) without notice for any illegal tampering with meters.
- 6.2** The University reserves the right to terminate service (s) without notice whenever the user is no longer affiliated with the University.
- 6.3** The University reserves the right, at its discretion, to terminate service (s) with 30 days notice.

APPENDIX A

REQUEST FOR SERVICES

Name: _____

Address: _____

City/State/Zip Code: _____

Telephone: _____

University Affiliation: _____

Type of service(s) requested: _____

Requested start date: _____

I, _____, agree to install meters where necessary and to pay assessed charges for the above-referenced service(s) within 10 days from the receipt of the bill. I understand that later payments will result in late fees and/or termination of service(s).

Signature

Date

 approved not approved

Vice President for Business Affairs

Date

APPENDIX B

DELINQUENCY/TERMINATION OF SERVICE NOTICE

Date

Dear _____:

Your account for user services at Alcorn State University is past due. If the account is not paid in full immediately, the University will terminate services.

Sincerely,

Business Affairs Office

PEER Committee Staff

Max Arinder, Executive Director
James Barber, Deputy Director
Ted Booth, General Counsel

Evaluation

Sam Dawkins, Division Manager
Linda Triplett, Division Manager
Pamela O. Carter
Kim Cummins
Sara Evans
Barbara Hamilton
Kelly Kuyrkendall
Karen Land
Katherine S. Landrum
Joyce McCants
Charles H. Moore
John Pearce
David Pray
Sara Watson
Candice Whitfield
Larry Whiting

Editing and Records

Ava Welborn, Editor and Records Coordinator
Tracy Bobo
Sandra Haller

Administration

Mary McNeill, Accounting and Office Manager
Jean Spell
Gale Taylor

Data Processing

Larry Landrum, Systems Analyst

Corrections Audit

Louwill Davis, Corrections Auditor