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OFFICE OF THE STATE COMPTROLLER

June 27, 2001

Ms. Maureen O. Helmer
Chairperson
Public Service Commission
3 Empire State Plaza
Albany, New York 12223-1350

Re: Report 2001-F-7

Dear Ms. Helmer:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II of the State Finance Law, we have reviewed the actions taken by Department of Public Service (Department) officials as of March 31, 2001 to implement the recommendations contained in our audit report, *Department of Public Service: Customer Service Practices* (Report 96-S-85). Our report, issued on August 13, 1998, examined whether the Department had established the necessary policies and procedures to ensure that complaints filed by utility customers were processed and resolved in an effective and efficient manner.

Background

The Public Service Law allows any public utility customer to file a complaint with or request information from the Department after the customer has been unable to resolve a dispute with the utility. The Department's Office of Consumer Services (OCS) is responsible for receiving and helping to resolve such complaints. In calendar year 2000, OCS received 162,107 contacts (includes phone calls, mail correspondence, and walk-in inquiries), of which, 35,153 were complaints. As of February 2001, OCS had 63 employees, with an annual personal services cost (excluding fringe benefits) of about \$3 million. The Department assigned most OCS staff to offices in Albany and New York City. About five staff worked in Buffalo. The Department's Office of Consumer Education and Advocacy (OCEA) promote consumer access to services and the opportunity to realize the benefits of competitive markets. OCEA's activities include monitoring utilities' compliance with laws, rules, regulations, and policies that protect consumers. In February 2001, OCEA had 47 employees, with an annual personal services cost (excluding fringe benefits) of about \$2.6 million. (Note: At the time of our prior audit, the Department's Division of Consumer Services [Division] performed the functions of the OCS and OCEA. Subsequent to our audit, Department management restructured the Division into the OCS and OCEA.)

In addition, the Department is operating in a period in which the electricity utilities are adjusting to the deregulation of that industry. Although the transmission and distribution of electricity will likely remain regulated, the source of electricity generation will be open to competition. This change could significantly impact the Department's ability to handle complaints, particularly if there are significant increases in costs to customers.

Summary Conclusions

In our prior audit, we concluded that the Division needs to formalize its strategic plan, addressing how it will interact with customers after the electric industry is deregulated. In addition, we determined that the Division officials should develop procedures to ensure that the results of customer satisfaction surveys were derived in an objective manner. We also determined that officials should:

- Develop a formal training program for call center representatives and document the training they receive;
- Evaluate options and alternatives, including the potential to consolidate customer service operations, to improve the efficiency and effectiveness of customer service operations;
- Assess the effectiveness of penalties in ensuring that utilities provide adequate customer service; and
- Review the timeliness of complaint resolution and make appropriate changes to its regulations to help expedite the process.

In our follow-up review, we determined that OCS and OCEA officials have made significant progress in implementing our recommendations. For example, officials developed a formal mission statement and strategic plan for consumer service operations. In addition, formal training programs have been developed for and provided to call center staff. Furthermore, Department officials indicated that the relocation and consolidation of OCS operations has generated cost savings of about \$220,000 annually. Our follow-up review also indicated that improvements have been made to the complaint resolution process and that the backlog of open complaint cases has been reduced significantly.

Summary of Status of Prior Audit Recommendations

Of the 11 prior audit recommendations, nine were implemented, one was partially implemented, and one was not implemented. OCEA had responsibility for the implementation of recommendations 7 and 8. The remaining recommendations pertained to the operations of the OCS.

Follow-up Observations

Recommendation 1

Formalize the Consumer Services Division's strategic plan by defining its future role in deregulation, its goals and objectives, and performance measurements.

Status – Implemented

Agency Action – The OCS issued formal mission and values statements, a code of conduct, a strategic plan and list of priorities in September 1998. The priorities included, among other objectives, the elimination of complaint backlogs, completion of a procedures manual, and the creation of a web page for consumers. Such objectives could be used for formal program measurement and assessment. Furthermore, during 1999 and 2000, individual units within OCS developed and reviewed the status of action plans that related to elements of OCS' strategic plan.

Recommendation 2

Evaluate the customer satisfaction survey process and results to determine if it receives the intended benefits from the survey. Consider revising the process by mailing a questionnaire to everyone who had a closed complaint, as well as periodically to those whose cases have been open for extended periods.

Status – Not Implemented

Agency Action – Department officials disagreed with the recommendation in their response to the prior original audit report. They added that the customer survey process has generally remained intact since the audit. Moreover, officials believe that the current survey process is sufficient to provide a general indication of overall customer satisfaction.

Recommendation 3

Continue to study other call center operations and consider modifying the Department's call center operation to take advantage of best industry practices.

Status – Implemented

Agency Action – Two OCS employees are now members of the Call Center Management Association (CCMA) of New York State. Through involvement with the CCMA, Division staff visited call center operations operated by other state Agencies as well as some of those operated by private industry. In addition, consistent with best industry practices, OCS officials recently began implementation of a new imaging and scanning system that will enhance their ability to track the processing of complaints.

Recommendation 4

Develop a formal training program for call center representatives and document the training they receive.

Status – Implemented

Agency Action – Department officials indicate they have established a formal training program for call center staff. For example, in October 2000, the Department provided training in the use of DSL (digital subscriber line) operations to call center staff. In addition, officials maintain documentation of training, including staff attendance at training sessions.

Recommendation 5

Compile cost and service information by office and perform an analysis of the cost benefits of alternative configurations including consolidating all or part of the consumer service operations.

Status – Implemented

Agency Action – Department officials indicate they continually review cost efficiencies, where practical, and that present operations allow for direct customer contact and field investigations to be accomplished in a low-cost manner. Officials added the consolidation of operations in Buffalo has produced office rental savings of \$19,800 annually. Furthermore, officials advise the relocation of offices to Delmar (a suburb south of Albany) has produced additional rental savings of about \$200,000 annually.

Recommendation 6

Using a historical trend analysis of customer service calls, and anticipation of future demand develop an optimum staffing pattern, which could include alternative work shifts and the use of non-call center Division staff to handle unexpected peak periods. Periodically reassess these staffing needs.

Status – Partially Implemented

Agency Action – OCS officials indicate that they review staffing needs on an ongoing basis. Specifically, they noted that new software for the automated call distribution process provides call center supervisors with real time information that allows them to address call center needs immediately. Officials also stated that they purchased a software package (GMT/Mercury), which included a scheduling and forecasting feature, to assist officials to address staffing needs during periods of high call volumes. Officials added, however, that the software's analysis always indicated that more staff was necessary than the Department's budget would permit. As such, the OCS has discontinued use of the software. In addition, officials advised us that they did not retain documentation of the result of the software analysis.

Recommendation 7

Evaluate whether the penalties for poor customer service need to be revised and strengthened.

Status – Implemented

Agency Action – Department officials indicated that OCEA staff has developed improved customer service performance mechanisms that include performance measures, high thresholds, and strong deterrents for poor performance. The emphasis is placed on monetary penalties rather than rewards. The penalties are prescribed in formal agreements between the utilities and the Department. In addition, the penalties are reviewed when the agreements are up for renewal. Because utilities have generally met or exceeded threshold levels, officials believe that their performance mechanisms have effectively maintained customer service as a high priority and ensured that service quality is kept at high levels.

Recommendation 8

Develop guidance or standards for customer service and monitor that utilities meet the criteria.

Status – Implemented

Agency Action – OCEA officials indicated that standards for individual utility performance continue to be established, within the customer service performance mechanisms that exist, on a utility-by-utility basis. In addition, OCEA monitors performance by requiring each utility to submit a monthly report that details performance in relation to seven indicators, including the number of adjusted bills, the timeliness of responses to non-emergency service requests, the rate of consumer complaints, and customer satisfaction indices.

Recommendation 9

Review data on the complaint tracking system for completeness and accuracy.

Status – Implemented

Agency Action – OCS officials advised us that call center supervisors use statistically valid random samples of about 10 percent of open cases to check daily the accuracy of complaint data entered into the Complaint Tracking System. Specifically, call center supervisors complete a Customer Contact Evaluation Form to verify the accuracy and completeness of data entered for sampled complaints. Furthermore, the implementation of a new imaging and scanning system, as noted previously, will help enhance the completeness and accuracy of complaint system data.

Recommendation 10

Analyze the backlog of open complaint cases and apply the necessary resources to close them in a timely manner.

Status – Implemented

Agency Action – Officials indicated they have used overtime on a short-term basis to process the backlog of open cases. They added that the number of open cases in the informal hearing unit decreased from 174 in mid-1998 to 77 as of February 9, 2001, a 56 percent reduction. In addition, the number of open cases in the appeals unit decreased from 124 in mid-1998 to 87 in February 2001, a 30 percent reduction.

Recommendation 11

Study the current complaint handling process to determine whether there are ways to help expedite the resolution of complaints, and modify the regulations over the process accordingly. A two-tiered process could be considered, possibly one for handling complaints from residential customers and one for handling complaints from commercial customers.

Status – Implemented

Agency Action – Officials indicate that changes in the processes for customer authorizations, complaint reviews, information flow, and utility procedures have improved the timeliness of complaint resolutions. For example, in September 1999, pre-hearing procedures for commercial customers were streamlined. Specifically, OCS assigned one person the responsibility to perform pre-hearing reviews of case files to ensure that they were all complete. According to OCS officials, this change relieved hearing officers of the case file review function and helped make the overall hearing process more efficient. In addition, in 2001, OCS officials created the Expedited Complaint Resolution Unit (Unit). The major function of the Unit is to process complaints filed by consultants, generally on behalf of commercial customers.

The major contributor to this report was Brian Mason

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any resolved matters discussed in this report. We also thank Department of Public Service management and staff for the courtesies and cooperation they extended to us during this review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: Charles Conaway