



Financial Services Audit Committee Communication

Date: February 12, 2019

To: Great Lakes Water Authority Audit Committee

From: Alicia Haskin, Management Professional – Intergovernmental Relations

Re: Update: GLWA and DWSD Shared Services True-Up Status for FY 2017 and Summary of Shared Services Billings and Payments

Background: The Great Lakes Water Authority (GLWA) and the Detroit Water and Sewerage Department (DWSD) are parties to a Shared Services Agreement (the Agreement) dated December 1, 2015. This agreement provides the framework for shared services for the efficient operation of both entities.

On a monthly basis, an invoice is prepared based on an agreed upon annual budget. While the intent is for the monthly invoice to represent actual costs, the reality is that the timing of certain vendor invoices and accumulation of internal charges requires a “true-up” process. That being said, the intent is to condense the true-up timeline each fiscal year.

The Shared Service Agreement (Section 5.1) states that:

“Each invoice, whether for Services provided regularly or “as-needed,” shall itemize the costs and charges by Services provided under each Service Delivery Schedule, and shall provide sufficient detail to the Subscribing Party to identify the Services performed and the basis for the charges. A Performing Party may only charge the Service Costs for Services provided.”

In addition, the parties have come to realize that an exact itemization generates a level of detailed analysis that is not cost-effective to produce. The data and experience garnered from the first three years of the shared services program are leading to a more efficient method of calculating costs while staying true to the intent of Section 5.1 above.

Analysis: For Fiscal Year 2017, Tables 1 (GLWA as service provider) and 2 (DWSD as service provider) quantify the current amount billed for each Shared Service for the FY2017 True-Up based upon DWSD’s and GLWA’s staff analyses. There are still ongoing reviews and discussions regarding the true-up calculations provided by each party.

DWSD and GLWA Shared Services Teams are meeting every two weeks to bring the FY 2017 Shared Services True Up to a resolution.

True-up support for DoIT-001, DoIT-002 and DoIT-003 has not yet been received from City of Detroit. The amounts reported in Table 2 are the annualized amounts paid in FY2016 for these Shared Services.

Legend for Percentage of Review Completed for Tables 1 and 2

100%	True up data has been exchanged. Both parties agree.
75%	True up data has been exchanged and discussions have started.
50%	True up data exchanged but review not started.
25%	Staff in process of getting final approval from respective Executive Leadership Team to transmit. True up data not exchanged yet.
0%	No true up data available at this time.

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Table 1 - GLWA as Service Provider

Fiscal Year 2017 Schedule of True Up Billings - GLWA is Service Provider As of February 11, 2019		
GLWA Provider Shared Service Description	Percentage of Review Completed by DWSD	GLWA Total Billings to DWSD
OPS-002 Miss Dig	75%	\$ 12,470
OPS-004 Water Quality	75%	140,933
OPS-005 Security	75%	2,711,748
OPS-005 Security Training	75%	7,990
OPS-006 Facilities	50%	4,337
OPS-008 Systems Control Center	75%	984,242
ITS-001 Retail AMR	50%	387,407
ITS-002 Customer Service Tech Suite	50%	41,179
ITS-003 See Click Fix	50%	200,789
ITS-004 WAM	50%	1,473,943
ITS-005 Mobile Work Force	50%	320,994
ITS-006 ESRI-GIS	50%	1,201,056
ITS-007 DADS	50%	94,754
ITS-008 TIBCO	50%	122,874
ITS-009 IT Infrastructure	50%	3,656,789
LS-001-A Joint Litigation and Defense, LS-001-B Environment, LS-002 Environment, LS-003 Contract Drafting	75%	8,043
Subtotal		\$ 11,369,547
Other items to bill not a defined shared service code		
DWSD-R Staff Training by GLWA	25%	\$ 5,696
Bank Fees	75%	585,000
Lakeshore Invoices	75%	676,875
Public Finance	75%	12,723
Subtotal		1,280,294
Grand Total		\$ 12,649,841

Table 2 - DWSD as Service Provider

Fiscal Year 2017 Schedule of True Up Billings - DWSD is Service Provider As of February 11, 2019		
DWSD/City of Detroit Provider Shared Service Description	Percentage of Review Completed by GLWA	DWSD Total Billings to GLWA
OPS-001 Fleet	75%	\$ 1,366,498
OPS-002 Miss Dig	50%	54,506
OPS-003 As Needed Field Services	50%	113,584
OPS-006 Facilities	75%	2,249,678
DoIT-001 Financial Information Services	0%	150,000
DoIT-002 Radios	0%	150,000
DoIT-003 Customer Service Technology Suite	0%	44,000
Subtotal		\$ 4,128,266
Other items to bill not a defined shared service code		
Fuel	75%	\$ 88,211
WAM Invoices	75%	290,347
Subtotal		378,558
Grand Total		\$ 4,506,824

Summary of Shared Services Billings and Payments

Tables 3 (GLWA as Service Provider) and 4 (DWSD as Service Provider) below explain the following Shared Services information from the beginning of the Shared Services Agreement, January 1, 2016. The first table is for the Shared Services, GLWA is the provider and billing DWSD for the services. The second table is for the Shared Services, DWSD is the provider and billing GLWA for the services.

The Shared Service Agreement (Section 5.2) states that:

“Payments for Services shall be payable monthly. Unless other specified in a Service Delivery Schedule, payment of each invoice shall be due no later than thirty (30) days after the date of delivery of the Invoice...”

The above provision was not followed for FY 2016 and into FY 2017 due to significant efforts to implement the Shared Services agreement and related business processes and operating protocols. Now that there is regular ongoing dialog, and a pattern as we enter the fourth years of operations, two things need to occur. First, an amendment to the budget and related monthly billing amount if and when it is evident that the budgeted amount is too low or too high based on the past three years of operations. Second, a payment exchange between the two parties for amounts billed or as may be amended based on budget.

Table 3 – GLWA as Service Provider (FY 2019 Billings through January 2019)

Summary of Shared Services Billings and Payments GLWA Provider Services FY2016, FY2017, FY2018 and FY2019 As of February 11, 2019				
Year	Total Billings	True Up Amount Actual/Potential	Total Payments	Unpaid Amount
FY2016	\$ 4,781,194	\$ 3,311,838	\$ 8,093,032	\$ -
FY2017	\$ 9,378,922	\$ 1,990,625	\$ -	\$ 11,369,547
FY2018	\$ 7,483,000	\$ -	\$ -	\$ 7,483,000
FY2019	\$ 5,255,689	\$ -	\$ -	\$ 5,255,689
Subtotals	\$ 26,898,805	\$ 5,302,463	\$ 8,093,032	\$ 24,108,235

Table 4 - DWSD as Service Provider (FY 2019 Billings through January 2019)

Summary of Shared Services Billings and Payments DWSD Provider Services FY2016, FY2017, FY2018 and FY2019 As of February 11, 2019				
Year	Total Billings	True Up Amount Actual/Potential	Total Payments	Unpaid Amount
FY2016	\$ 2,543,735	\$ (1,057,735)	\$ 1,486,000	\$ -
FY2017	\$ 4,722,364	\$ (594,098)	\$ -	\$ 4,128,266
FY2018	\$ 4,633,354	\$ -	\$ -	\$ 4,633,354
FY2019	\$ 2,630,098	\$ -	\$ -	\$ 2,630,098
Subtotals	\$ 14,529,551	\$ (1,651,833)	\$ 1,486,000	\$ 11,391,718

Proposed Action: Receive and file report.