

Water fight

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Suburban lawmaker leads another drive to gain control of Detroit water department

By Teri Barnes
Staff writer

A renewed effort to gain suburban influence on the Detroit Water Board has several lawmakers pledging support in Lansing this week.

The effort, spearheaded by state Rep. John Bennett, D-Redford Township, follows recent disclosures of sloppy bookkeeping procedures by the Detroit Metro Water and Sewer System.

In the audit conducted by the Peat, Marwick, Mitchell accounting firm, the firm cited several management and accounting irregularities that led to residents being improperly billed.

Bennett called the water system "an operating disaster looking for a place to happen."

"In my 40 years in the accounting profession, I have never seen a financial report showing so many material weaknesses and serious deficiencies," Bennett wrote to state lawmakers last week.

BENNETT believes the operation would be improved if a Regional Water Authority were established, allowing greater representation from the suburbs, which contribute 70 percent of the system's revenue. Currently, the seven-member board is appointed by Detroit Mayor Coleman Young. With 3.5 million customers, 1 million are Detroit residents.

This week, state Reps. Gordon Sparks, R-Troy, and Justice Barnes, D-Westland, pledged co-sponsorship and three others, Reps. Sandy Brotherton, R-Farmington, Willard Bullard Jr., R-Milford, and William Van Regenmorter, R-Jenison, said they would support it.

Bennett said he plans to have the draft bill form within a few weeks. He said a new board should be larger, maybe nine members, with suburban areas selecting their



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own representatives.

Bennett was critical of Young's appointees saying "he's appointed people who haven't done anything."

"I'd like to see some CPA's put on that board," he added. He said that he is concerned that the system be operated efficiently so that "water rates won't be raised every year."

THE 34-PAGE report, includes these disclosures, which the firm recommends be corrected:

- Accounts are not routinely updated, for instance, to list whether a location is even occupied.

- Consumption records are not updated for sometimes four years, throwing off correct billing amounts.
- Procedures that would have stopped disputed late charges were not in place over a two-year period of time.

- Physical inventories were uncondit-

ed. And certain contracts also were unrecorded.

- Balances on bank statements were not done during the year.

- Errors went undetected because monthly balances on accounts, such as suburban municipal ones, were not done.

SUCH A legislative effort was tried five years ago but failed. That bill, which Bennett also drafted, passed the state House, then but was never reported out of the Senate's utility committee. He blamed the large Detroit bid for its demise.

Detroit has 19 (lawmakers) in the House and four or five Senators so it's very difficult to pass anything (of suburban concern), he said.

Nonetheless, he said he is optimistic about the bill's success this time around because "a lot of people have changed their minds about this sort of thing." He said disclosures such as the accounting audit would help.

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Blues will continue quest to change to mutual status

Blue Cross and Blue Shield of Michigan (BCBSM) will continue its efforts to become a non-profit mutual insurance company this year, said Richard Femmel, vice president of corporate communications.

"All of the urgent reasons for mutualization, including unequal regulation, staggering underwriting losses and intense competition, have not lessened, but are growing greater," he said. Femmel's remarks came after news from Lansing that the Blues mutualization bill probably wouldn't be taken up this year.

"WE'RE AT the mercy of the state Legislature, and we hope it will realize the critical need for timely action on the Mutual Bill with its Senior Citizen Health Care Bill of Rights before it's

too late," Femmel said.

He said a \$100 million underwriting loss is projected for BCBSM for 1985 and 1986 because of state regulatory manipulation of rates for its non-group lines of business. This is in addition to nearly \$300 million in underwriting losses for this business over the past 10 years.

FEMMEL SAID unequal state regulation restricts BCBSM from competing with commercial insurers for Michigan business worth hundreds of millions of dollars.

"We cannot sit by allowing the erosion of BCBSM's market share, financial stability and the 7,000 jobs it provides without making every effort to get equal regulation under Michigan law by converting to a non-profit mutual company," Femmel said.



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