

Payment of Utility Charges

Date:	November 12, 2009
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

The objective of this review was to assess the extent to which the City's current payment control framework ensures that the City only pays for actual utility services received and at rates supported by formal contract terms and conditions as applicable.

Our review identified that current control processes, for the most part, ensure that the City only pays for hydro and natural gas usage at City facilities, but certain control gaps and overpayment risks exist. Opportunities for cost savings exist in the management of cable television services. Addressing the recommendations in this report will strengthen the current payment control framework for utility and cable television service charges.

A management response to each of the 11 recommendations is attached to this report.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Deputy City Manager & Chief Financial Officer consider assigning responsibility for hydro and natural gas accounts management to the Energy and Waste Management Office. At the same time the reallocation of resources should be evaluated.

2. The Deputy City Manager & Chief Financial Officer develop a control framework to ensure the cost effective administration of hydro and natural gas invoice payments. Such framework should include, but not be limited to the following:
 - a. a clear definition of the roles and responsibilities of the Accounts Payable Unit, the Energy and Waste Management Office and City divisional managers. The roles and responsibilities to include areas such as processing hydro and natural gas invoices, including following up on billing exceptions, dispute resolution and reporting protocols, as required
 - b. the establishment of protocols for effecting and reporting on energy metering changes, including new meter account set ups, de-activations, replacements, relocations and record keeping requirements
 - c. procedures for ensuring ongoing verification of hydro charges relating to street lighting by a staff person familiar with the operations
 - d. reporting requirements for the Energy and Waste Management Office to communicate energy consumption fluctuations for divisional follow-up as required.
3. The Deputy City Manager and Chief Financial Officer review and make appropriate revisions to Accounting Services' Cost Centre Billing Procedure to include the revised utility payment control framework.
4. The Executive Director of Facilities & Real Estate Division take appropriate steps to ensure the Energy and Waste Management Office maintains a complete and accurate database on all hydro and natural gas meters billable to City divisions. The database be updated as required.
5. The City Manager assign one City unit responsibility for developing and implementing a process for updating and verifying street lighting related hydro costs.
6. The Executive Director of Facilities & Real Estate Division take necessary steps to complete, on a sample basis, ongoing recalculations of major hydro and natural gas bills for accuracy and consider using the specific software currently used by the TTC.
7. The Executive Director of Facilities & Real Estate Division to ensure that identified energy billing anomalies are promptly analyzed and satisfactorily resolved with the provider on a timely basis. Further, a system be developed to track outstanding refund requests.

8. The Executive Director of the Facilities & Real Estate Division take appropriate steps to expedite enrollment in the consolidated billing services plan all hydro invoices, and request from Toronto Hydro data in a format that facilitates input to the Energy and Waste Management Office's energy meter database.
9. The Executive Director of the Facilities & Real Estate Division take appropriate steps to minimize duplication of energy consumption review efforts performed by City staff on behalf of City agencies such as the TTC and the Toronto Community Housing Corporation.
10. The Deputy City Manager and Chief Financial Officer assign responsibility for the management of cable television services. The specific responsibilities include:
 - a. the renegotiation of a corporate cable television service discount plan for all users
 - b. the maintenance of an inventory of cable television plans
 - c. the rationalization of such cable television plans commensurate with requirements.
11. The City Manager forward this report to the City's major Agencies, Boards and Commissions in order to ensure that the issues raised in this report are addressed by them where appropriate.

FINANCIAL IMPACT

The implementation of recommendations in this report will strengthen the City's control over invoice verification and management of utility and cable television charges. Potential cost savings resulting from implementing the recommendations in this report include recurring annual savings in excess of \$150,000 from cable television service costs. The recommendations will result in some minor reduction in staff time to perform certain functions however this will likely be offset by additional staff time required to fully implement all recommendations.

DECISION HISTORY

This report provides the results of the Auditor General's payment of utility charges review. This review was conducted as part of the Auditor General's 2009 Annual Work Plan.

COMMENTS

The Auditor General's report entitled "Payment of Utility Charges" contains 11 recommendations and is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Payment of Utility Charges

Appendix 2: Management's Response to the Auditor General's Payment of Utility Charges