



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Review of The Management of the City's Divisional
Accounts Receivable**

Date:	April 12, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's 2011 Work Plan included a review of the management and administration of City divisional accounts receivable. The objective of this review was to assess divisional practices for billing and collecting service related revenue owed the City for services provided to customers. Examples of divisional service related accounts receivable include recreational program registration fees, park facility rentals, rent for property administered by Facilities Management and street and road allowance fees collected by Transportation Services. The audit did not include the management of property tax and water billing receivables.

The audit results are presented in the attached report entitled "Review of The Management of the City's Divisional Accounts Receivable."

This report contains eight recommendations along with a management response to each of the recommendations. The implementation of these recommendations will improve accounts receivable collection efforts, operational efficiencies and internal controls.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the City Manager to review the current management of all City-wide receivables. Such a process should be a part of the ongoing shared service review. The review should include an evaluation of centralizing the collection efforts of all outstanding receivables.

2. City Council direct the Treasurer to review and update accounts receivable policies and procedures where appropriate. A directive should also be issued to all staff responsible for the collection of receivables that all such policies and procedures should be complied with.
3. City Council request the Treasurer to review current SAP management reports pertaining to the management of receivables. The reports should contain relevant and current information and include performance management information.
4. City Council request the Treasurer to implement an accounts receivable process that provides for timely management review of collection activity and disposition of accounts receivable. Such process to include appropriate documentation and approval requirements.
5. City Council request the Treasurer to periodically review inactive customer accounts with small balances where collection efforts have been exhausted and such accounts be written off in accordance with City bylaws.
6. City Council request the Treasurer to clarify and document the roles and responsibilities of supervisory staff and accounts receivable staff to ensure due diligence in collection activities. Staff roles and responsibilities should include collection activity, supervisory review and documentation requirements.
7. City Council request the Treasurer to assess the feasibility of using the City SAP Financial System to the fullest extent in tracking actions taken on customer accounts sent to Legal Services and collection agencies.
8. City Council request the Treasurer take steps to ensure the proper separation of duties by limiting access to users of the SAP accounts receivable functions. In addition, user access should be reviewed periodically to ensure only those with a current and regular need are authorized to use the system.

Financial Impact

Implementation of the recommendations in this report will result in improved accounts receivable collection efforts, operational efficiencies and internal controls. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

DECISION HISTORY

The Auditor General's 2011 Audit Work Plan included an audit of the management and administration of City divisional accounts receivable. The Auditor General develops an annual work plan based on results of a detailed risk assessment conducted by the Office every five years. The last risk assessment was conducted in 2009.

COMMENTS

The Auditor General has conducted a number of reviews over City revenue and receivables over the past number of years. As part of a series of continuous audits over City revenue streams these reviews highlighted a number of improvements in management practices governing each of the particular revenue type reviewed.

Accounts receivable is a City-wide function affecting many divisions and exposes the City to significant financial risk. This review provides an independent assessment of processes and controls in place from a City-wide perspective.

The Auditor General's report entitled "The Review of The Management of the City's Divisional Accounts Receivable" contains eight recommendations and is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Review of The Management of the City's Divisional Accounts Receivable

Appendix 2: Management's Response to the Auditor General's Review of The Management of the City's Divisional Accounts Receivable