

Presentation to the Audit Committee
March 7, 2016

Auditor General's Report on the Audit of Water Billing and Collection

Phase I: Overdue Water Account Collections Require Strengthening

Beverly Romeo-Beehler, Auditor General

Ina Chan, Assistant Auditor General

Syed Ali, Audit Director, IT and Strategy

Anil Bux, Audit Manager

Audit Divided in Two Phases

- Water Billing and Collections
 - Phase I – Collection of outstanding receivables for water service
 - Phase II – Billing for water service
- **This report presents the results of Phase I**

Presentation Outline

- Audit Objectives and Scope
- 3 Categories of Findings
- Summary of Findings, Recommendations and Conclusion

Audit Objectives and Scope

Objective:

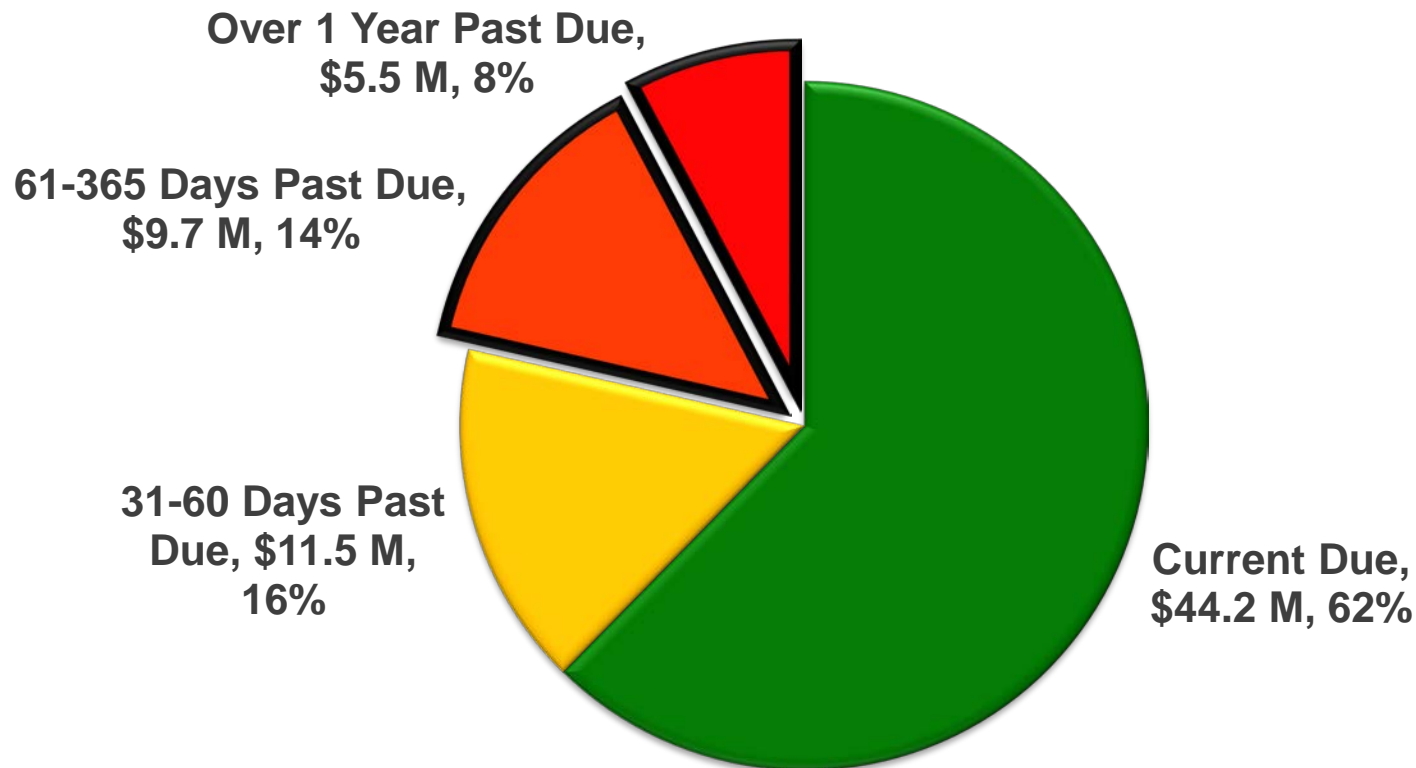
- Assess processes and controls in place to collect outstanding water accounts

Scope:

- The audit included a review of outstanding amounts as at August 31, 2015

Water Receivables at August 31, 2015

- Approximately \$1 billion in water billings per year
- \$70.9 million in receivables, of which \$26.7 million is past due



Categories of Findings

1. Improving collection efforts
2. Charging fees and interest
3. Other billing and collection opportunities

Category 1 - Improve Collection Efforts

- Need to improve monitoring of high risk accounts
- Incomplete account information
- Not using available collection measures

Recommendations for Category 1

- *Monitor exceptions*
 - *High risk and high value overdue accounts*
 - *Missing information*
- *Ensure appropriate collection measures are taken*

Category 2 - Charge Fees and Interest

- \$15 million in past due accounts not transferred to tax rolls
 - Missing property tax account information
 - “Do Not Transfer” overrides
 - \$4 million to \$5 million in condo arrears
- Estimated foregone revenues
 - \$1 million in interest
 - \$100,000 in transfer fees

Recommendations for Category 2

- *Resolve issues preventing transfer to tax rolls*
- *Consider charging interest on accounts not transferred*
- *Implement Council-approved process for condo arrears*

Category 3 - Other Billing and Collection Opportunities

- Resolve billing delays and prolonged billing disputes
- Improve controls over billing reversals, credits and adjustments
- Improve collection of inactive accounts

Conclusion

- Overall, the implementation of the 19 recommendations will:
 - Expedite collections
 - Improve cash flows
 - Generate incremental revenues
- We estimate that the City will achieve approximately:
 - \$5 million in one-time collections
 - \$800,000 to \$900,000 in incremental revenues on an annually recurring basis
 - Recommendations are relevant for collection of solid waste accounts
- Management has agreed with all of the recommendations