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

Phase I: Overdue Water Account Collections Require Strengthening

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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

**Water Receivables at August 31, 2015**

- Current Due, $44.2 M, 62%
- 31-60 Days Past Due, $11.5 M, 16%
- 61-365 Days Past Due, $9.7 M, 14%
- Over 1 Year Past Due, $5.5 M, 8%
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