

For Information

DATE: September 1, 2011

REPORT TITLE: **WATER AND WASTEWATER BILLING AUDIT**

FROM: Paul Wallis, CMA, CIA, CISA, Director, Internal Audit

OBJECTIVE

To inform Audit Committee of the results of the audit of Water and Wastewater Billing.

REPORT HIGHLIGHTS

- The risks associated with the water and wastewater billing functions are being effectively and efficiently controlled.
- No major opportunities for improvement were identified. Observations were limited to a number of process improvement issues.
- Management has taken a proactive approach in addressing matters raised.

DISCUSSION**1. Background**

The water and wastewater billing function is handled by two sections of the Operations Support Division. The Meter Operations section is responsible for the installation, repair, and maintenance of meters; as well as for providing the billing section with accurate and timely water meter readings. The Billing section is responsible for the billing, payment processing, and the management of collections for over 290,000 water and wastewater accounts involving the distribution of approximately 1.2 million bills, which generate more than \$215 million in revenue annually.

The AquaPeel billing system was developed in-house and was implemented in late 1997. Functions provided by this system include water and wastewater connection processing and control; meter installation tracking and control; meter readings' processing and editing; billing and payment processing; as well as collections' handling.

AquaPeel is an outdated system and as a result has various inefficiencies and restricted capabilities, particularly when used with new metering technologies. Replacement of this application is an option currently under consideration; however final decisions are dependent on the results of a utility rate structure review currently underway.

September 1, 2011

WATER AND WASTEWATER BILLING AUDIT

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

2. Audit Objective

The objective of this audit was to assess whether management had implemented controls to ensure that risks related to the water and wastewater billing; payment; and collection processes are effectively managed and controlled; and that water and wastewater accounts are billed completely, accurately, and on a timely basis.

The audit focussed on assessing whether the billing function from meter reading through to payment collection is operating in an effective and efficient manner. It specifically covered the meter reading; account creation; billing and payment processes; and the collections and accounts receivable' management processes.

The scope of the audit specifically excluded meter connections; the meter installations and the repairs processes; as well as the AquaPeel system except as it relates directly to those processes identified in our scope.

3. Audit Observations

Results of this audit show that management has implemented the necessary controls and related processes to ensure that risks related to the operation of the water and wastewater billing are effectively managed and controlled; and overall that the function is operating effectively and efficiently given the limitations and constraints imposed by the current billing system. Effective practices included:

- The creation and activation of new water service accounts is accurate and on time.
- Meter readings are accurately and efficiently entered to the AquaPeel system.
- The billing and processing of payments are done in a prompt, accurate, and efficient manner.

A number of factors were identified as contributing to these results; in particular, the maturity of the billing process as well as the related experience and knowledge of management and staff operating the billing function. Methods to effectively manage and control the various processes were wide-ranging including extensive system edits and controls; as well as comprehensive and well-documented policies and procedures.

No major opportunities for improvement were identified. Observations were limited to a number of process improvement type issues. Each of these matters was discussed with management during the review and all but one observation had been resolved prior to the conclusion of the audit. The one remaining observation involves the need for consistent practices across the billing section in the documentation provided as support for the various forms of customer account adjustments. A plan was developed by management to address the issue raised. The plan has since been fully implemented.

The AquaPeel system's limited functionality has resulted in the need for supplemental actions, or 'work-arounds'. Management is fully aware of the system's deficiencies and in response have implemented the 'work-arounds' to effectively manage the identified risks, and to minimize potential problems and errors.

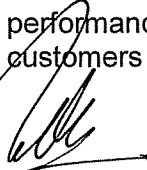
September 1, 2011

WATER AND WASTEWATER BILLING AUDIT

4. Noteworthy Accomplishments

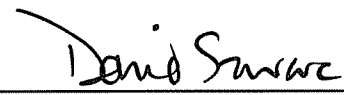
Management have taken a proactive approach in addressing issues raised during this audit and should be commended for their efforts.

Other accomplishments of note include the development and implementation of a performance framework model in 2010; the adoption of a program to further assist customers in determining the cause of unusually high bills.



Paul Wallis, CMA, CIA, CISA
Director, Internal Audit

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Paul Wallis at extension 4557 or via email at paul.wallis@peelregion.ca

Authored By: Jennifer Weinman, CA- CIA, and Sean Lee, CGA, CGAP, CIA, CISA, PMP.

c. Legislative Services