



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

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| TO: | Chair and Members Audit, Finance and Administration Committee |
| COMMITTEE DATE: | April 13, 2015 |
| SUBJECT/REPORT NO: | Audit Report 2014-09 - Corporate Services - Accounts Receivable (AUD15012) (City Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Ann Pekaruk 905-546-2424 x4469 Brigitte Minard 905-546-2424 x2088 |
| SUBMITTED BY: | Ann Pekaruk Director, Audit Services City Manager's Office |
| SIGNATURE: | |

RECOMMENDATION

Discussion of Private and Confidential Appendix "B" to Report AUD15012 in Closed Session is subject to the following requirement(s) of the City of Hamilton's Procedural By-law and the Ontario Municipal Act, 2001:

- ◆ **The security of the property of the municipality or local board.**
- (a) That the Management Action Plans, as detailed in Appendix "A" and Private and Confidential Appendix "B" of Report AUD15012, be approved; and
- (b) That the General Manager of Finance and Corporate Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "A" and Private and Confidential "B" to Report AUD15012) implemented; and
- (c) That Appendix "B" to Report AUD15012, respecting Audit Report 2014-09 - Corporate Services - Accounts Receivable, remain confidential and restricted from public disclosure.

EXECUTIVE SUMMARY

The 2014 Internal Audit work plan “B”-list approved by Council included an audit of Accounts Receivable. The audit scope was for the period September 2013 to August 2014. Internal controls, segregation of duties and operational processes were assessed. Recommendations were made to strengthen controls, safeguard information and improve management oversight.

The results of the audit are presented in a formal Audit Report (2014-09) containing observations, recommendations and management responses. Audit Report 2014-09 is attached as Appendix “A” and Private and Confidential Appendix “B” to Report AUD15012.

Alternatives for Consideration –Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2014 Internal Audit work plan “B”-list approved by Council. The audit fieldwork was completed in July 2014 to September 2014. The results of this audit are attached as Appendix “A” and Private and Confidential Appendix “B” of Report AUD15012.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not applicable.

RELEVANT CONSULTATION

Appendix “A” and Private and Confidential Appendix “B” to Report AUD15012 includes action plans which reflect the responses of management responsible for the administration of Accounts Receivable in the Financial Services Division of the Corporate Services Department. A response from the IT Division, Corporate Services Department is noted in Private and Confidential Appendix “B”.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

The City of Hamilton has a centralized Accounts Receivable (AR) function that serves all City departments. AR utilizes the PeopleSoft Financial Accounts Receivable module. The Section receives requests for invoices from various City departments, processes and mails customer invoices and receives payments from customers. Additionally, customer statements are generated and mailed, follow up with customers regarding collection of payments is performed, general monitoring of the AR sub-ledger occurs and the collectability of outstanding balances is assessed.

The audit focused on AR operational processes, evaluated if outstanding balances are collected in a timely manner and assessed if balances greater than 90 days old are followed up regularly. Reconciliation processes, segregation of duties and system access controls were also evaluated.

A formal audit report containing observations, recommendations and management action plans was issued and is attached as Appendix "A" and Private and Confidential Appendix "B" of Report AUD15012.

The main areas for improvement noted in Appendix "A" of Audit Report 2014-09 include:

- Reviewing and updating existing procedure documents regularly and communicating them to AR staff; and
- Restricting the processing of all credit/reversal requests to only AR staff and ensuring that all requests include supporting documentation.

Management and staff agreed with all the recommendations with the majority of implementation expected to be completed by the second quarter of 2015. Specific action plans can be found in the attached Audit Report (Appendix "A" and Private and Confidential Appendix "B" to Report AUD15012).

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

- 3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD15012

Private and Confidential Appendix “B” to Report AUD15012.

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