

City Auditor's Report to  
Audit Committee  
2024 December 12

ISC: UNRESTRICTED  
AC2024-1287

## **Accounts Receivable Data Analytics Continuous Auditing Project**

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### **PURPOSE**

The purpose of this report is to communicate the outcome of the Accounts Receivable Data Analytics Continuous Auditing Project, including Administration's response and corrective actions.

### **PREVIOUS COUNCIL DIRECTION**

Bylaw 30M2004 (as amended) established the position of the City Auditor and the powers, duties, and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.

### **RECOMMENDATIONS:**

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

### **HIGHLIGHTS**

- What does this mean to Calgarians? Overall, controls are in place and operating to mitigate risk in the Accounts Receivable process. We identified moderate improvement opportunities to reduce customer duplicate data and adjust system access to further mitigate risk in the Accounts Receivable process. We also raised a recommendation to review and adjust the process for handling cheques that cannot be matched to a customer account.
- Why does it matter? Implementing continuous auditing is an efficient and cost-effective approach to monitoring the risks associated with Accounts Receivables in a timely manner.

### **RISK**

The data analysis outlined in this report supports Administration in their on-going mitigation activities related to Principal Corporate Risk of Financial Sustainability.

### **DISCUSSION**

Accounts Receivables (AR) represents the amount of money that customers owe The City for products or services provided. As of December 31, 2023, the annual total non-tax general receivables was \$451 million. Risks associated with Accounts Receivables include inaccurate bills and receivable balances, credit losses, access to customer data and fraud. Controls to prevent these risks include management of customer data, system access including segregation of duties,

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credit limits and collection processes. The teams responsible for managing general accounts receivables are Corporate Billing and Accounts Receivables (CBAR) and Credit and Collections (CC). The balance of general receivables managed by CBAR as of December 31, 2023 was \$33 million.

Our project objective was to use data analytics to test controls in the AR and collection process in the areas of system access, customer master data, credit limits and write-offs. Our project scope covered the period from June 1<sup>st</sup>, 2023, to May 31<sup>st</sup>, 2024.

We created a PowerBI report to provide an evaluation of Accounts Receivable based on these criteria:

- Customer Master Data - Inactive customers are disabled and customers are not duplicated.
- System Access - Update access to pages related to bills, receivables, and customer data is restricted to users with a valid business need.
- Credit Limits - Customers using Mobility, Waste and Transit services stay within their credit limits.
- Collection activities are conducted before accounts are written off. Write-off amounts are not split to bypass approval limits.

Overall, controls are in operation to mitigate risks in the Accounts Receivable process. We identified improvement opportunities in system access, customer data management, and procedures for handling unmatched cheques. The scorecard attachment to this report details our results for each criterion, which are further explained below.

- Customer Master Data – moderate risk/moderate improvement opportunity. We tested customer data for duplicates near matches based upon customer name. 4% of customers matched another customer record based upon name and either postcode or phone. 12% of customers matched another based upon the less strict criteria of name alone. Improvements in customer data integrity would further strengthen risk mitigation in the Accounts Receivable process. The CBAR and CC teams have committed to reviewing customer master data and removing duplicates by Q3 2025 and we will refresh our PowerBI dashboard at this time to support this continuous improvement activity.
- System Access – moderate risk/moderate improvement opportunity. We tested two groups of system access. First, users that have access to adjust receivable accounts and/or adjust bills. Second, update access to customer data.
  1. Adjust Receivables / Bills - Access was restricted to a small number (36) of users. Within this group seven did not require access and 19 required the access but had a segregation of duties conflict. This conflict existed as these users could be in possession of an unidentified cheque that cannot be matched to an account by cashiers and is sent to CBAR or Credit and Collections for resolution. Circulation of physical cheques increases fraud risk and reputational risk, so we have raised a recommendation that Finance review and adjust the current

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process. We will monitor the status of this action plan as part of the City Auditor's Office ongoing recommendation follow-up process.

#### **RECOMMENDATION 1**

The Manager, Financial Operations, implement a process for handling cheques that cannot be immediately matched to a customer account to avoid the need to circulate physical cheques.

#### **MANAGEMENT RESPONSE**

Agreed.

Review current process and make appropriate adjustments to processes to address unidentified cheques.

#### **LEAD**

Manager, Financial Operations

#### **Support**

Finance Leader, CBAR, Finance

Finance Leader, Credit & Collections, Finance

#### **COMMITMENT DATE**

**Dec 31, 2024**

2. Customer Master Data – Screens within PeopleSoft to update customer data have multiple sections. 2,481 users have update access to one or more of these sections. 2,404 of users had access that was not required to perform their function. Most of this access (2,366) was to two low risk sections. There is an opportunity to further support privacy by limiting view access to these sections of customer data.

The CBAR team have committed to reviewing system access by Q3 2025 and we will refresh our PowerBI dashboard at this time to support this continuous

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improvement activity.

- Credit Limits – minor improvement opportunity. Not all interfacing systems can enforce hard credit limits. As a result, depending on the business unit between 13% - 69% of invoices by value were issued in excess of credit limits. The Credit and Collections team has successfully managed these system limitations through proactive accounts monitoring keeping write-offs to less than 1%. As a result, these compensating controls are sufficient to effectively manage the risk.
- Collection activities – negligible improvement opportunity. Collection activity is occurring before write-offs. Out of the 691 write-offs we tested, only 115 did not have evidence of customer contact. These were all \$500 or less with an average amount of \$60 and the total write-off was \$4,422.45 which shows that the write-off levels are low. Furthermore, we did not identify evidence of splitting write-offs to circumvent approval levels.

### ATTACHMENTS

1. Accounts Receivable Scorecard Summary

### DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	City Auditor	Approve
David Duckworth	Chief Administrative Officer	Inform
Les Tochor	CFO/General Manager	Inform
Aaron Brown	Deputy CFO/City Treasurer	Inform
Kari Imperato	Manager, Financial Operations	Inform
Jerry Caingcoy	Finance Leader – CBAR	Inform
Heather Nichol	Finance Leader – Credits and Collections	Inform
Tracy Hayter	Finance Leader – Special Projects	Inform

Author: Rachael Ogedegbe, Senior Auditor, City Auditor's Office