

THE CORPORATION OF THE TOWNSHIP OF McGARRY

Water Billing and Collection Review

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DESCRIPTION OF REQUIRED

Listed below are the requirements that were included in the request for proposal issued by the Township of McGarry. We have organized our report in the same format.

1. Water Billings and Collections
 - a. Assess whether customers were properly billed for services during the periods of July 1, 2018 to December 31, 2020.
 - b. Prepare billing calculation corrections and balances.
 - c. Assess the Township's ability to refund amounts improperly billed.
2. Evaluate Current Operations:
 - a. Review processes, procedures, controls and performance measures for the administration and maintenance of the Township's water accounts and related customer services.
 - b. Review and evaluate the billing and collection processes for efficiency and effectiveness.
 - c. Make recommendations on improving operations to provide for monthly billing of utility accounts.
 - d. Review and evaluate the processes for identifying and resolving exceptions.
 - e. Determine if appropriate internal controls are in place.

SCOPE LIMITATIONS

Limitations to on-site visits due to the COVID pandemic and limited access to staff and observations of process and controls, we have accumulated the following scope limitations related to our report.

1. We were unable to verify if a ratepayer's payment was applied to a correct or incorrect account.
2. We are unable to verify if a service was received by a ratepayer and therefore, they were properly billed for a service provided by the township.
3. We were unable to visit the township site and observe processes and controls in place and our review was limited to information provided by staff via email.
4. We were unable to verify the type of property to ensure the proper rate was being applied to the proper account.
5. We did not review or verify the transfer of information from the old accounting system to the new accounting system and so the opening account balances were not reviewed by us.
6. Billing irregularities could not be verified due to the change of staff. All irregularities will be noted to staff separately.

WATER BILLINGS AND COLLECTIONS

Review of customer water billings

We conducted a thorough review of each water account and noticed that the 11% penalty for late payment was being applied on some of the monthly account balances rather than the monthly billing charge. This appeared to have begun once a change in software happened in 2018. This error was caused by an incorrect date being entered into the system when the penalty was being applied on individual accounts causing the penalty to be calculated on an accumulated balance rather than on the monthly charge alone.

Billing calculation corrections and balances

Appendix 1 includes a listing of the billing errors discovered during our review. Please note that if the ratepayer was undercharged, any under billed amounts were not included in errors discovered. This was the preferred method based on council's recommendation to staff. The name on the account has been omitted for privacy reasons but will be provided to your staff separately. The total amounts owing back to ratepayers amounts to \$323,616 and spans over two and one half years.

It will be at council's discretion if an interest amount on any balance owing back will be refunded to the ratepayers or applied as a credit to their account.

Township's ability to refund amounts improperly billed

Since we did not conduct a thorough review of the Township's financial situation, we cannot comment on the Township's ability to repay the amounts owing. These amounts should be refunded or credited to the ratepayers account and the Township may need to retain outside financing sources if internal funds are unavailable or insufficient to pay the balances due.

Irregularities and exceptions

During our review, we noted specific exceptions and irregularities amongst the water billing accounts. These exceptions were noted to your staff in a separate document. Since the staff who was preparing the water billings at the time is no longer employed at the Township office, we have no explanation for what caused the irregularities and exceptions. Council and staff will need to decide how and if they want to adjust any accounts for these exceptions.

EVALUATE CURRENT OPERATIONS

Review of processes related to the water billing system

A review of the current processes in place around the water billing system was conducted. *Appendix 2* includes a detail of questions asked and answers from your staff to provide the necessary information for the review. We were not able to confirm that these processes are being done since an on-site visit was not possible and therefore, our evaluation will be based on information provided by the staff only.

Efficiency and effectiveness of water billing system

In reviewing processes and procedures, it appears that the current staff in charge of the water billings and collections is doing the work efficiently; however, there are some significant weaknesses in internal control procedures that will be noted in the "review of internal controls" section below. The changes recommended to the internal controls may cause some of the work to take longer as processes are updated in the future and new staff take on new roles.

Recommendations on improvements

During our review, we noted the following recommendations to improve your water billing system.

1. The method of calculating the penalty on overdue accounts/late payments is unconventional as compared to other area municipalities and can be confusing for ratepayers to understand and complex for staff to implement using your current software. You may want to consider charging interest like your tax arrears accounts at 1.25% per month, non-compounding. This would mirror your existing tax billings and be less confusing for staff and ratepayers. Your current billing software can accommodate this type of interest/penalty easily.
2. You may want to consider adding your water charges to your existing tax billings. This combines both systems avoiding the need to maintain two separate systems and sub ledgers. This can save in monthly postage, envelopes, admin time as well as make it simpler to apply payments on account (only one account as compared to two accounts per property). Other municipalities who have made this change, found it saved considerable administrative time and was less confusing for the ratepayer. A drawback to this approach is the inability to shut off water if a ratepayer is delinquent and waiting for the tax arrears process to collect overdue accounts.
3. Reducing the number of billings in a year from 12 to four can greatly reduce costs in paper, postage, and admin time.
4. Your Service Rate Listing is extensive, and we would suggest only having one Service Rate per category and reducing the number of categories, if possible. This may avoid confusion by staff when selecting a rate class for properties in the future.
5. Based on information provided by your staff, there appears to be very little backup when it comes to other staff understanding the water billing system. If your current clerk-typist receptionist is ill or on a long-term leave, there is very little backup since all the processes and procedures are conducted by one person. We would recommend having a second staff member knowledgeable of the processes and procedures to be a backup to the current staff in the event of an unexpected leave. This would also provide a better segregation of duties.

Review of processes around exceptions

There appears to be a lack of documented processes and procedures around identifying and fixing errors and exceptions. The most common resolution provided was to contact the software provider to receive assistance with the rectification of the error. Our concern around exceptions lies in the absence of review and approval from senior staff. There needs to be a process in place to identify errors and what steps to take once an error is discovered to ensure it is properly fixed.

The clerk-typist receptionist oversees all aspects of the water and billing system and there is very little review by senior staff (ie. clerk-treasurer). If an exception or error occurs, it is possible that the clerk-typist receptionist will not detect the error or not fix it correctly. We recommend having a more detailed process for review and authorization from senior staff to ensure a proper, timely correction.

Review of internal controls

Based on the questionnaire in *appendix 2*, the biggest issue with the internal controls is a lack of review and segregation of duties. The clerk-typist receptionist performs most of the procedures around the water billing and collection system with very little supervision or review by other staff. This person must review their own work which doesn't allow for an independent look at the accounts and billings. Having another staff member review the billings (monthly), receivables, collections and adjustment reports may help detect and correct any errors.

Segregating some of the duties to other staff (such as approvals and reviews) can also allow for an independent review of the accounts. This could provide more accurate information and detect errors and irregularities as soon as they occur.

APPENDIX 1 – ERRORS IDENTIFIED BY ACCOUNT

Account #	2018	2019	2020	Total
*****5B	111.75	173.46	421.30	706.51
*****3A	1,128.02	2,429.20	250.81	3,808.03
*****1A	0.97	0.23	21.88	23.08
*****8C	1.20	0.28	0.47	1.95
*****8B	13.24	12.06	91.90	117.20
*****4B	-	11.96	17.79	29.75
*****2B	1,223.72	3,153.54	3,392.52	7,769.78
*****3D	3.21	89.94	16.16	109.31
*****6A	3.05	0.81	0.43	4.29
*****4B	-	3.57	41.13	44.70
*****2C	-	2.45	40.87	43.32
*****0B	-	5.74	14.21	19.95
*****2A	1.49	-	-	1.49
*****0A	-	-	10.65	10.65
*****8C	1,588.12	4,028.10	4,267.08	9,883.30
*****3C	11.97	122.87	157.06	291.90
*****9A	-	-	2.50	2.50
*****5C	-	-	3.15	3.15
*****4C	1.34	-	-	1.34
*****0C	12.01	4.42	4.26	20.69
*****8C	-	35.90	2.86	38.76
*****1A	2,368.07	5,899.98	6,066.16	14,334.21
*****9A	-	-	25.41	25.41
*****7A	-	4.90	21.24	26.14
*****5B	12.15	4.48	13.80	30.43
*****1B	12.01	4.43	13.78	30.22
*****9B	-	40.85	88.40	129.25
*****5B	2.27	1.18	2.83	6.28
*****7B	11.96	-	1.47	13.43
*****0B	12.01	4.43	13.78	30.22
*****8B	12.01	4.43	13.78	30.22
*****6B	119.63	60.99	-	180.62
*****4C	149.43	169.75	0.05	319.23
*****7A	-	-	3.99	3.99
*****7C	-	1.33	3.42	4.75
*****4A	801.67	2,140.62	2,354.76	5,297.05
*****0B	0.97	0.23	42.38	43.58
*****8D	-	-	4.00	4.00
*****6B	-	-	2.01	2.01
*****4A	2,250.02	5,616.66	5,814.30	13,680.98
*****2A	-	-	32.22	32.22

APPENDIX 1 – ERRORS IDENTIFIED BY ACCOUNT (CONT'D)

Account #	2018	2019	2020	Total
*****7F	12.15	31.47	153.89	197.51
*****7A	2,448.67	6,093.42	6,238.12	14,780.21
*****3B	2.45	62.02	36.48	100.95
*****6B	266.47	696.58	495.61	1,458.66
*****0C	403.39	543.18	782.16	1,728.73
*****6C	189.32	670.98	909.96	1,770.26
*****2D	-	-	4.00	4.00
*****0C	133.01	-	-	133.01
*****8D	96.65	73.84	24.70	195.19
*****1C	160.77	602.46	841.44	1,604.67
*****1D	6.00	0.66	0.74	7.40
*****9D	10.64	23.79	4.90	39.33
*****0B	-	-	63.89	63.89
*****4B	1.34	12.69	48.37	62.40
*****0D	-	1.65	-	1.65
*****1B	-	15.42	2.27	17.69
*****7D	487.17	1,385.82	1,624.80	3,497.79
*****5B	39.24	656.43	526.65	1,222.32
*****1C	7.56	191.10	245.80	444.46
*****9C	7.56	191.10	245.80	444.46
*****2C	115.87	71.01	4.63	191.51
*****4B	-	12.68	23.23	35.91
*****2B	-	-	28.19	28.19
*****4A	13.95	54.09	31.15	99.19
*****1D	63.30	76.36	65.94	205.60
*****7D	-	2.72	-	2.72
*****1B	1.66	95.40	1.79	98.85
*****6C	-	0.27	2.46	2.73
*****2A	-	-	4.00	4.00
*****0A	-	-	4.00	4.00
*****8B	-	-	14.84	14.84
*****6A	1,357.57	3,474.78	3,713.76	8,546.11
*****4A	1,543.97	3,922.14	4,161.12	9,627.23
*****5B	-	0.27	2.46	2.73
*****1A	1,687.52	4,231.38	4,473.62	10,392.52
*****9B	-	-	10.66	10.66
*****7A	2,699.97	6,661.26	6,748.94	16,110.17
*****5A	881.57	2,332.38	2,571.36	5,785.31
*****3D	6.94	3.22	-	10.16
*****0A	-	-	11.82	11.82
*****8A	2,412.52	5,971.38	6,129.62	14,513.52

APPENDIX 1 – ERRORS IDENTIFIED BY ACCOUNT (CONT'D)

Account #	2018	2019	2020	Total
*****6A	-	2.45	0.27	2.72
*****4C	32.97	279.30	231.18	543.45
*****2A	1,042.27	2,718.06	2,957.04	6,717.37
*****0B	253.22	824.34	1,049.52	2,127.08
*****3B	-	-	14.61	14.61
*****1A	2,400.57	5,942.70	6,104.12	14,447.39
*****9C	1.33	15.76	26.84	43.93
*****7B	-	0.19	17.08	17.27
*****1B	-	-	4.00	4.00
*****9D	-	-	13.42	13.42
*****4A	2,786.12	6,903.30	6,958.04	16,647.46
*****2A	-	-	21.43	21.43
*****5b	26.08	2.45	4.90	33.43
*****6B	7.30	3.82	26.05	37.17
*****4B	-	11.97	171.08	183.05
*****2B	1.49	0.17	-	1.66
*****6D	-	-	23.02	23.02
*****9B	408.02	389.64	-	797.66
*****9C	-	185.75	281.86	467.61
*****0E	-	26.96	-	26.96
*****9C	54.21	111.70	135.69	301.60
*****7B	1,924.57	4,835.58	5,068.46	11,828.61
*****9B	94.77	129.72	320.78	545.27
*****5D	6.30	16.43	24.80	47.53
*****3A	1.34	0.15	-	1.49
*****6A	1.34	-	-	1.34
*****0B	-	-	10.65	10.65
*****8D	35.90	24.62	27.72	88.24
*****3B	0.93	40.58	166.88	208.39
*****2C	-	5.16	-	5.16
*****0A	-	14.64	-	14.64
*****6A	26.60	64.80	172.25	263.65
*****8A	1.34	-	-	1.34
*****9B	-	-	3.74	3.74
*****5E	1.66	29.70	31.98	63.34
*****3C	21.61	-	-	21.61
*****1B	48.89	45.49	176.51	270.89
*****9B	48.89	45.21	176.41	270.51
*****5C	1.49	-	-	1.49
*****4B	-	-	3.28	3.28
*****9C	-	-	1.15	1.15

APPENDIX 1 – ERRORS IDENTIFIED BY ACCOUNT (CONT'D)

Account #	2018	2019	2020	Total
*****7A	11.97	2.93	-	14.90
*****5A	401.00	800.47	894.90	2,096.37
*****9A	-	-	4.00	4.00
*****8B	-	25.11	7.78	32.89
*****6D	34.04	69.91	125.11	229.06
*****4C	-	-	4.00	4.00
*****2A	-	-	10.65	10.65
*****9I	2.18	54.98	46.71	103.87
*****7D	2.18	81.21	162.73	246.12
*****5C	465.17	1,297.74	1,539.98	3,302.89
*****3b	-	-	31.95	31.95
*****1A	2,157.97	5,395.74	5,617.92	13,171.63
*****9B	14.74	132.94	499.69	647.37
*****5E	1,583.22	4,016.34	4,255.32	9,854.88
*****3E	1,578.02	4,003.86	4,242.84	9,824.72
*****1A	-	4.90	1.96	6.86
*****6A	-	4.90	1.96	6.86
*****4C	-	23.94	9.56	33.50
*****2A	2,125.47	5,282.46	5,480.62	12,888.55
*****0A	-	-	195.76	195.76
*****6C	-	76.67	28.16	104.83
*****7B	220.97	733.74	965.38	1,920.09
*****5A	1,543.97	3,922.14	4,161.12	9,627.23
*****3D	142.55	42.41	41.82	226.78
*****9B	-	1.63	100.06	101.69
*****4D	2.72	6.88	18.14	27.74
*****2A	13.29	33.63	86.90	133.82
*****8B	-	11.97	-	11.97
*****6A	-	-	2.50	2.50
*****4A	8.21	158.00	76.45	242.66
*****5C	24.50	70.78	2.45	97.73
*****3B	-	-	11.97	11.97
*****1C	18.15	77.61	167.32	263.08
*****7C	5.14	1.20	1.37	7.71
*****5C	1.34	0.30	0.18	1.82
*****3C	7.35	1.71	2.00	11.06
*****1B	-	35.10	-	35.10
*****0B	-	59.73	-	59.73
*****0C	-	-	4.00	4.00
*****8C	-	14.70	2.18	16.88
*****8D	-	-	1.36	1.36

APPENDIX 1 – ERRORS IDENTIFIED BY ACCOUNT (CONT'D)

Account #	2018	2019	2020	Total
*****6B	-	0.92	0.33	1.25
*****0D	9.36	1.03	-	10.39
*****0E	-	-	178.90	178.90
*****8B	931.42	2,452.02	2,656.94	6,040.38
*****4A	1.34	-	-	1.34
*****7B	-	2.45	41.15	43.60
*****5C	-	10.70	187.35	198.05
*****3B	-	2.45	4.59	7.04
*****9C	14.20	3.00	0.98	18.18
*****4E	-	-	14.75	14.75
*****8D	-	19.01	87.14	106.15
*****6E	-	42.77	119.65	162.42
*****4A	76.45	40.45	31.90	148.80
*****5A	2,433.52	6,021.78	6,174.42	14,629.72
*****3A	-	-	21.49	21.49
*****1A	-	-	23.95	23.95
*****9A	1,953.77	4,905.66	5,132.62	11,992.05
*****5B	1,156.02	2,955.78	3,198.02	7,309.82
*****8C	-	81.31	90.99	172.30
*****6D	-	-	17.12	17.12
*****4E	1,587.32	4,026.18	4,265.16	9,878.66
*****2B	-	28.04	62.72	90.76
*****0A	-	-	3.99	3.99
*****6A	-	-	111.37	111.37
*****4A	10.84	15.86	36.90	63.60
	52,677.12	131,916.42	139,021.97	323,615.51

APPENDIX 2 – SUMMARY OF CURRENT PROCESSES – INTERVIEW QUESTIONS AND ANSWERS

Utility billings:

1. *How are rates set each year?*

The rates are decided by Council. This is not necessarily done every year. The last time it was updated was in 2018.

2. *When are rates set each year?*

The rates are not necessarily set every year. Last time they were changed was in 2018.

3. *Who inputs the rates into the system?*

The Clerk-Typist Receptionist.

4. *Does someone review this was done correctly?*

Not in the past.

5. *How are different properties assigned a different rate?*

There is a chart with different rates like apartment building, post office, schools, restaurants, etc... this was established many years ago by Council through bylaw (included)

6. *Who assigns the rate class and does someone review this?*

Council passes a bylaw. The Clerk-Typist Receptionist inputs in into the computer.

7. *How often are billings generated?*

The bills are generated monthly.

8. *How is the billing process initiated? By whom?*

The billing is done entirely by the Clerk-Typist Receptionist (I have included the notes from the previous Clerk-Typist Receptionist Water billing process #1 and # 2 and I have included the new notes by the new Clerk-Typist Receptionist (new water billing process)

9. *What system is used to generate the bills?*

Asyst

10. *What is the process to generate the monthly bills? Need a description of process from start to finish and who does which part of the process.*

Attached are the two old version that were used until November 2020 and the new version that is now currently being used is attached.

11. *Does a person review the billings before the bills are sent out to ratepayers?*

The Clerk-Typist Receptionist.

12. *Who prepares the mailings for the billings?*

The Clerk-Typist Receptionist

13. *What copies of the billings are kept on record for the township? Where are these kept?*

Attached is an entire billing for you to see every report kept.

14. *What gets posted to the system when the billings are generated?*

Attached a copy of billing.

15. *Does the posting get reviewed by anyone?*

The Clerk-Typist Receptionist.

16. *If there is an error, what is the process to fix the error? Who fixes it?*

If an error occurs, we put a call with Asyst.

Penalty charge:

1. *How is the penalty charge decided?*

The Township used to have a discount system until July 2018 of 10% discount if you paid before the due date. As of July 1, 2018 the Township passed a by-law for a 11% penalty charge. – By-laws included.

2. *Who enters it into the system?*

The Clerk-Typist Receptionist

3. *What is the process in the system to do the charge?*

Attached is a whole penalty process with all reports.

4. *Is this reviewed by anyone?*

The Clerk-Typist Receptionist

5. *Who does the penalty charge?*

The Clerk-Typist Receptionist

6. *When does the penalty charge get done?*

She tries to do it on the 1st of the month. Sometimes it can be a little later.

7. *Does someone review the penalty charge?*

The Clerk-Typist Receptionist

8. *Are individual accounts verified to ensure the charge is properly billed?*

Yes, by the Clerk-Typist Receptionist.

9. *What entries are posted in the system to account for the penalty charge?*

Attached is a penalty report.

10. *Does someone review that this entry is done correctly?*

The Clerk-Typist Receptionist

11. *What reports are generated and kept for the penalty charge?*

Attached.

12. *If there is an error, what is the process to fix the error? Who fixes it?*

Call Asyst

13. *Does a penalty charge ever get reversed? If so, who does this? Is it approved and what is the process for the reversal?*

Sometimes yes but there needs to be a good reason and it needs to be approved by the Clerk-Treasurer.

14. *How is the reversal recorded in your accounting system? What reports are generated and what is kept on hand?*

Attached.

Collections:

1. *What methods can ratepayers pay their billings?*

Interac, Direct Deposit, cash or cheques.

2. *If received by mail, who receives it and what happens with the cheque? How is it recorded in the system?*

The Clerk-Typist Receptionist receives the mail, open it and enters the payment in the computer, sends a receipt in the mail back to the owner.

3. *If received by electronic funds, who receives it and how is it recorded in the system?*

It is received by fax or in the Bookkeeper email. The Clerk-Typist Receptionist checks the fax every morning. The bookkeeper checks her email every morning and gives any payments to the Clerk-Typist Receptionist for her to enter the payment in computer.

4. *If received by cash, in person, who receives it and how is it recorded in the system?*

The Clerk-Typist Receptionist receives the payments at the front. She receives the payments, takes the cash, gives the change to the person and enters the payment in the computer and gives out receipt to the person.

5. *Does someone review the collections in the system to ensure they are assigned to the correct account?*

The Clerk-Typist Receptionist

6. *How do you know if you put the payment to taxes or to water?*

The reports tells you where the payment was put into Taxes or Water.

7. *What is the process in the system to record a payment?*

Attached is a cash process.

8. *What reports are generated and kept by the township?*

Attached are the reports

9. *What is the entry posted in the system to record the payment?*

Attached

10. *Does anyone review individual accounts periodically to ensure payments are applied correctly?*

The Clerk-Typist Receptionist reviews all the accounts every month as the billing is done on a monthly basis.

11. *Does the person who receive the payments also do the bank reconciliations?*

No the bookkeeper does the bank reconciliation.

12. *If an error is made, how is it fixed?*

An adjustment is made.

13. *Does someone review the fixing of an error? Is it approved?*

The Clerk-Typist Receptionist

Monthly review:

1. *Does someone agree the utilities subledger to the general ledger to ensure they agree? Who does this and how often?*

No

2. *Are arrears notices sent to ratepayers? How often? By whom? Are these generated by the system? Does anyone review them?*

No since we do the billing every month.

3. *If complaints received by ratepayers, who follows up with it? Is this reviewed and approved by someone?*

The Clerk-Typist Receptionist. She might go to the Clerk-Treasurer if approval is necessary.

4. *Can journal entries be posted in the system? If so, who is allowed to post? Does someone have to approve it? What documents are kept and where to record the journal entry?*

Adjustments can be done. I have included one adjustment to show you what is kept and how it is done.

5. *Are individual accounts reviewed by someone independent than the person doing the data entry and generating the bills?*

No

6. *What happens if accounts are in arrears for a long period of time? Is there a policy in place for overdue accounts (ie. shut off of water)? What is the time frame? Who initiates this and how is it approved?*

One month behind you get a Past due stamp, two months behind you get a first letter, If the account is three months in arrears you get a second letter and the water is shut off if not paid before the due date until full payment is received.

7. *Is council ever made aware of accounts in arrears or review of a subledger listing? Do they approve shut-offs, write-offs, etc...?*

No