Edmonton

**OFFICE OF
THE CITY AUDITOR**

REPORT
CORPORATE ACCOUNTS RECEIVABLE FUNCTION AUDIT

MARCH 23, 2026

Report Summary

BACKGROUND

The City's Corporate Accounts Receivable Function (Corporate AR) is a team in the Financial Services Branch, within the Financial and Corporate Services Department. Corporate AR processes centralized billing and collections for City-provided goods and services. This includes processing business areas' requests to invoice customers for items such as rent, landfill disposal services, and On-Street Construction & Maintenance (OSCAM) permits.

Over the last 3 years, Corporate AR has billed an annual average of $235 million and collected an annual average of $230 million. There are normal timing differences between when an amount is invoiced, and when it is ultimately collected.

Corporate AR uses five key performance indicators (KPIs) to monitor overall performance and efficiency of its accounts receivable processes.

AUDIT OBJECTIVE & SCOPE[1]

The objective of this audit was to determine whether the Financial Services Branch is effectively and efficiently managing centralized accounts receivable to maximize amounts collected in a timely manner.

The scope of this audit included the corporate accounts receivable KPIs since 2024, and operational functions currently in use. This audit did not include accounts receivable that other business areas manage, such as property taxation, grants, or bylaw tickets.

Additionally, we did not assess the accuracy, validity, and proper reporting of accounts receivable amounts in the financial statements, as these are audited by the City's external

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[1] We conducted this engagement in conformance with the Institute of Internal Auditors' *Global Internal Audit Standards*.

financial statement auditor.

WHAT WE FOUND²

We found that the Financial Services Branch has met the objective of effectively and efficiently managing centralized accounts receivable to collect outstanding amounts in a timely manner. However, we found one area for improvement.

The Branch has made strides in recent years to increase efficiency and reduce process risks by automating some Corporate AR processes. Planned system upgrades will provide opportunities to further automate these processes.

Using key performance indicators to measure its operational performance, Corporate AR reports that it is meeting its targets most of the time. Management regularly discusses and reviews these performance indicator results and targets.

However, we also found opportunities to improve the clarity of some of the KPI methodologies, and to ensure that Corporate AR is calculating these results accurately.

RECOMMENDATION

Recommendation 1

We recommend that the Financial Services Branch clearly document the methodologies the Branch uses to measure key performance indicators and ensure it is calculating the results accurately.

WHY THIS IS IMPORTANT

Automation allows Corporate AR to streamline, manage, and complete tasks without manual intervention. It can improve overall efficiency and decrease process risks by reducing human error, enhancing productivity, and improving data accuracy.

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² The Institute of Internal Auditors' *Global Internal Audit Standards* require us to report the significance and prioritization of our findings. This report contains all our significant findings and those that we deemed not significant, but that still support our recommendations. We prioritized each significant finding based on how important it is that management address the finding. This report contains only those significant findings that we prioritized as management must address, or should address.

Clear methodologies and accurate results help to ensure that KPIs reliably report on intended subject matter, and allow for consistent reporting and comparability on a regular basis to support decision making.

Corporate Accounts Receivable Function Details

CORPORATE ACCOUNTS RECEIVABLE

The City's Corporate Accounts Receivable Function (Corporate AR) processes centralized billing and collections for City-provided goods and services. Corporate AR processes a business area's request to invoice customers for goods or services that the business area provides, such as rent, landfill disposal services, and On-Street Construction & Maintenance (OSCAM) permits.

Corporate AR consists of three areas: Billing, Account Management, and Collections and Dispute Resolution.

Billing

The Billing Area processes requests from the City's business areas to invoice customers. There are four main methods for invoicing:

1. Billing Advice - A manual process to enter a request into the financial system to generate an invoice. This can include one-off charges such as tree pruning and removals, firework permits, and bus charters.
2. Pass-Off - An automated process to retrieve invoicing information from an operational system and send the information to the financial system to generate an invoice. These can include things such as On-Street Construction & Maintenance (OSCAM) permit requests, external fleet service work, and cemetery plot purchases.
3. Upload - An automated process to download invoicing information to a spreadsheet file and upload the information to the financial system in order to generate invoices. For example, the area would process uninsured billing requests through the upload method.

4. Recurring - An automated process to generate invoices in the financial system for things that have an agreement in place to bill on a recurring basis. An example of these would be monthly advertising or rent for residential, commercial, or public utility lots.

After the system generates an invoice, the Billing area or the City's business area contact sends it to customers by mail or email.

Account Management

The Account Management Area maintains customer records and reconciles customer accounts. Their main tasks are:

- Maintaining customer master records - Sets up and maintains the customer record for customers who have invoices processed through Corporate AR. This includes information such as customer name, address, and contact information.
- Reconciling customer accounts - Addresses any credit memos, reversals, and write-offs, and reviews the outstanding account statuses for all customers.
- Processing customer payments - Ensures timely application of payments to customer accounts, researches unidentified payments not directly associated with an invoice or customer, and calculates and allocates finance and penalty fees.

Collections and Dispute Resolution

The Collections and Dispute Resolution Area supports the collection of overdue corporate accounts receivable. Their main tasks are:

- Using aging reports to identify outstanding accounts receivable, and sending payment reminders where applicable.
- Preparing supporting documentation and work with external collection agencies, legal services, or external counsel to collect outstanding receivables, when internal resources have been exhausted.

FINANCIAL INFORMATION

Corporate AR has billed an annual average of $235 million (net of adjustments), and collected an annual average of $230 million in each of the last 3 years. There are normal timing differences between when an amount is invoiced, and when it is ultimately collected.

Corporate AR sometimes needs to adjust invoiced amounts through credit memos, when there are errors in the invoice or refunds required. Examples of these include:

- Invoice adjustments to correct invoices such as incorrect billed amounts, customer information, and billing rates.
- Return of physical transit products from retail outlets, discontinued at the end of 2024.

CORPORATE AR KEY PERFORMANCE INDICATORS

Corporate AR uses the following five key performance indicators (KPIs) to monitor performance and efficiency of the Corporate AR function.

1. Days Sales Outstanding - Measures the average number of days it takes for Corporate AR to collect payment.
2. Collection Rate - Measures the percentage of invoices that are collected within a 90 day period.
3. Bad Debts Ratio - Measures the percentage of accounts receivable that management considers uncollectible.
4. Percentage Rework - Measures the percentage of transactions completed by Corporate AR that requires revisions and/or reperformance.
5. Percentage Electronic Invoice - Measures the percentage of invoices generated that are considered automated.

Corporate AR and the Financial Services Branch use these KPIs to monitor overall performance and efficiency of accounts receivable processes.

The KPIs are reported at both the Branch level, as well as through the City of Edmonton's Enterprise Performance Management process.

Automated Processes

KEY FINDINGS

We observed manual billing processes, but found that Corporate AR has automated their processes to the extent possible within the current environment.

The Branch undertook a review of manual processes in 2021, and Corporate AR have since implemented the majority of action plans in response to the observations from that review.

AR PROCESS AUTOMATION

Generally, Corporate AR categorizes invoice creation into two methods, manual and automated, depending on the amount of manual intervention required to process the invoice. The four types of billing fall into these categories:

1. Billing Advice - Manual
2. Pass-Off - Automated
3. Upload - Automated
4. Recurring - Automated

In each of the automated methods, there are still a limited number of manual processes involved to generate invoices. We observed manual processes, such as:

- Pass-off requires a manual check with customer master records to determine whether customer accounts are blocked. This was reasonable to ensure that every record in the file gets passed off without issue, otherwise the system cannot process the whole file.
- Upload requires a manual download of a file and ensuring information is correct and also manually sending out the invoices. This was reasonable to ensure that appropriate back up is sent along with the invoice for uninsured billings.
- Recurring requires manually formatting the information in the financial system such as updating the description box. This was required so that the customer has a more

accurate description of their charges. For example "March 2025 Monthly Rent" instead of "Monthly Recurring Rent".

2021 CORPORATE AR REVIEW

The Branch completed a process review in 2021, and Corporate AR provided an action plan in response to the observations and recommendations that related to the automation of billing processes. Our observations during field testing aligned with the planned responses to these recommendations. In our discussions with staff, the reasons as explained above for completing the manual processes were reasonable based on current processes and system limitations.

With the Enterprise Commons implementation, management anticipates that the system integration will provide opportunities to further automate these processes.

We found that due to current system limitations and resourcing, combined with the Enterprise Commons implementation, Corporate AR has automated their processes to the extent possible within the current environment.

WHY THIS IS IMPORTANT

Automation streamlines, manages, and executes tasks without manual intervention. It can improve overall efficiency and decrease process risks by reducing human error, enhancing productivity, and improving data accuracy.

Clearly Document KPI Methodologies And Calculate Accurately

KEY FINDINGS

The KPI results show that Corporate AR is meeting or exceeding the targets for 3 of the 5 KPIs in 2024 and 2025. For the 2 other KPIs, Corporate AR met the target in 2024, but not in 2025. We found that Branch management reviews and discusses the KPIs on a regular basis.

However, we found opportunities to improve:

- The clarity of the methodology for preparing the KPIs.
- The accuracy of the KPI results.

KEY PERFORMANCE INDICATOR ANALYSIS

We reviewed the KPI information for 2024 and 2025 and found that Corporate AR has met the target for 3 of the 5 KPIs. These KPI results indicate that Corporate AR successfully manages its accounts receivable. For the other 2 KPIs that were not met in 2025, targets were met in 2024.

Table 1: Corporate AR KPIs 2024 and 2025 Target and Actual Results

KPI	Target	2024	2025
Days Sales Outstanding	<= 40 Days	27	34
Collection Rate (within 90 days)	>= 75%	95%	84%
Bad Debts Ratio	<= 1%	0.19%	0.18%
% Rework	<= 10%	9%	20%
% Electronic Invoice	>= 85%	90%	76%

We found that management regularly discusses the KPIs at monthly Corporate AR team meetings, as well as through the City's Enterprise Performance Management process. This includes management plans to address the 2 KPI targets that Corporate AR did not meet in 2025.

IMPROVE CLARITY OF KEY PERFORMANCE INDICATOR METHODOLOGY

Corporate AR has documented methodologies to calculate the KPIs. These methodologies provide the purpose and step-by-step direction to a user on how to extract information from the financial system, then calculate, prepare, and upload the KPIs into a dashboard on a monthly basis.

We found that Corporate AR is using and following the methodologies to prepare the monthly KPIs.

The methodology for calculating each indicator is documented in a spreadsheet. As well, the spreadsheet contains embedded formulas to complete the calculation. In our recalculations, we found that for three of the five KPIs, the methodology was either not clear or was not consistent with the formulas embedded in the spreadsheet. For example:

- For the Days Sales Outstanding calculation, the numerator used the balance at the beginning of the month while the denominator used the balance at the end of the month. The time periods for accounts receivable and credit sales do not match.
- For the Collection Rate, the methodology does not clearly state which sales amounts to use in the calculation. The methodology indicates using monthly sales, but the embedded formula is using a 90 day or 3 month cumulative sales.
- For the Percentage Rework, the data set categories used in the calculation did not match those listed in the methodology.

IMPROVE ACCURACY OF KEY PERFORMANCE INDICATOR RESULTS

Corporate AR calculates KPIs on a monthly basis once the financial numbers have been finalized for that month. In our review of the calculations, we found the following inconsistencies:

- For the Days Sales Outstanding calculation, the formula stated that 30 days is the standard to use in the calculation for every month. However, for the month of February, the embedded formula used 28 days instead of the standard 30 per the methodology.
- For the Bad Debts Ratio, staff did not always enter data according to the methodology because of inconsistencies in how different transaction types were categorized.
- For the Percentage Electronic Invoice, staff entered data into the spreadsheet incorrectly, double-counting some transactions. This error occurred during data categorization.

While we identified these inconsistencies in our testing, the recalculated results would not have moved any KPIs outside of target. However, the inconsistencies do lead to comparability issues when looking at results from different periods.

WHY THIS IS IMPORTANT

Clear methodologies and accurate results help to ensure that KPIs reliably report on intended subject matter, and allow for consistent reporting and comparability on a regular basis to support decision making.

RECOMMENDATION 1

Clearly document the methodologies the Branch uses to measure key performance indicators and ensure it is calculating the results accurately.

Responsible Party

Deputy City Treasurer & Branch Manager, Financial Services Branch

⊘ Accepted by Management

Management Response

Financial Services accepts the recommendation.

The audit identified inconsistencies in the clarity of the documented methodologies for three of the five KPIs and found some calculation inaccuracies in the monthly reporting. Clear and accurate KPI reporting is essential for reliable performance monitoring and informed decision-making regarding the City's accounts receivable function. While the audit identified these inconsistencies in the testing, the recalculated results would not have moved any KPIs outside of target.

To address the audit recommendation, Financial Services will:

- Undertake a comprehensive review and formal update of the documentation for all Corporate AR KPIs, ensuring the methodology clearly defines data sources, calculation logic and reporting frequency.
- Implement an internal control and review process of all KPI calculations to ensure the consistent accuracy and reliability of all KPI reporting.

Implementation Date

September 30, 2026

ACKNOWLEDGEMENT   We would like to thank the staff in the Corporate Accounts
Receivable Area for their cooperation during the audit.