Winnipeg

Audit Department • Service de vérification

December 15, 2003

Mayor Glen Murray
Members of Winnipeg City Council

Re: Review of Water and Waste Department's Billings and Collections Process

In February 2003, fraudulent activities were uncovered within the collections process at the former Winnipeg Hydro. The Water and Waste Department uses a similar billings and collections process as that of the former Winnipeg Hydro. In March 2003, at the request of the former CAO, the Audit Department engaged Ernst & Young to review the internal controls within the Water and Waste Department billings and collections systems.

Today, I am pleased to present to you Ernst & Young's final draft report. The Water and Waste Department's overview is attached and detailed responses to the recommendations have been incorporated into the report. Ernst & Young found several weaknesses in the internal control system that could result in the misappropriation of funds. These weaknesses related to the monitoring of internal control effectiveness, computerized access and security controls, and cash collection procedures.

I am pleased to report that the Water and Waste Department has acknowledged the concerns identified. Furthermore, the Department has already taken action to implement some of the recommendations and has committed to take specific actions to address the remaining recommendations.

Yours truly,

S. Hunt

Shannon Hunt, CGA, CFE
City Auditor

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Winnipeg

Water and Waste Department • Service des Eaux et des Déchets

Our File No: 010-07-05-00-00

October 14, 2003

All Members of Winnipeg City Council
Shannon Hunt, City Auditor

Thank you for this opportunity to respond to Ernst & Young's Report on the Review of Internal Controls over the Water and Waste Department's Billings and Collections Processes.

While the report includes recommendations for improvement, it is important to note that Ernst & Young did not find any fraudulent activity in the department. The report is about what could go wrong but not what actually happened.

The Department has already taken steps to address the recommendations and eliminate these risks. A key corrective action and a natural progression of the City of Winnipeg's controllership model was to consolidate the financial functions in the Department. Effective September 2, 2003, the customer billing and collection functions report to the Manager of Finance and Administration. In addition, a number of other changes have been implemented as described in the management response sections of the report.

We believe that these changes correct the system weaknesses and mitigate the risk of error or misappropriation of assets belonging to the City of Winnipeg.

Yours truly,

Barry D. MacBride, P. Eng.
Director

Moira L. Geer, C.A.
Manager of Finance & Administration

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