Ottawa

Office of the Auditor General / Bureau du vérificateur général

FOLLOW-UP TO THE 2010 AUDIT OF THE REVENUE BRANCH

2012

SUIVI DE LA VÉRIFICATION DE LA DIRECTION

DES RECETTES DE 2010

Ottawa

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EXECUTIVE SUMMARY

Introduction

The Follow-up to the 2010 Audit of the Revenue Branch was included in the Auditor General's Audit Plan.

The key findings of the original 2010 audit included:

- The City's Revenue Branch should continue to implement automation of their processes and look for additional opportunities to realize operating efficiencies and improve service to residents and businesses in Ottawa.

- Currently, there are many systems including stand-alone spreadsheets used by the Revenue Branch that require additional staff time. There are some systems projects underway, for which Management has identified operational efficiencies. In addition, greater automation could result in offering additional automated services to the public.

- Overall, the audit found the corporate tax system is effective and efficient with all property tax bills tested being accurate. However, $6.7 million in property tax appeals represent a potential outstanding liability that is not recorded in the financial statements.

Summary of the Level of Completion

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2012.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	1, 3	2	9%
PARTIALLY COMPLETE	50 – 74	4, 7, 8	3	14%
SUBSTANTIALLY COMPLETE	75 – 99	20	1	5%
COMPLETE	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22	16	72%
TOTAL			22	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of January 31, 2013 in response to the OAG's assessment. These assessments have not been audited.

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 – 24	-	-	-
Action Initiated	25 – 49	1, 3	2	9%
Partially Complete	50 – 74	4, 7, 8	3	14%
Substantially Complete	75 – 99	-	-	-
Complete	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22	17	77%
Total			22	100%

Conclusion

Revenue Branch management has made significant progress in implementing the audit recommendations.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

RÉSUMÉ

Introduction

Le Suivi de la vérification de la Direction des recettes de 2010 était prévu dans le Plan de vérification du vérificateur général.

Les principales constatations de la vérification de 2010 sont les suivantes :

- La Direction des recettes de la Ville devrait continuer à mettre en œuvre leurs processus automatisés et à chercher des possibilités d'automatisation supplémentaires afin d'accroître l'efficacité des opérations et d'améliorer les services aux résidents et aux entreprises d'Ottawa.

- Il y a actuellement nombre de systèmes, notamment les feuilles de calcul électronique individuelles utilisées par la Direction des recettes qui exigent du travail supplémentaire de la part des membres du personnel. Il y a un certain nombre de projets en cours, qui comportent des volets d'amélioration de l'efficacité ciblés par la direction. De plus, une plus grande automatisation pourrait permettre d'offrir davantage de services automatisés au public.

- Globalement, la vérification a constaté que le système d'impôts fonciers est efficace et efficient et toutes les factures d'impôts fonciers vérifiées sont exactes. Cependant, les appels en matière d'impôts fonciers, qui totalisent 6,7 millions de dollars, pourraient représenter une dette potentielle qui n'est pas prise en compte dans les états financiers.

Sommaire du degré d'achèvement

1. Le tableau ci-dessous présente notre évaluation du degré d'achèvement de chaque recommandation au mois de décembre 2012 :

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	-	-	-
ACTION AMORCÉE	25 – 49	1, 3	2	9 %
COMPLÉTÉE EN PARTIE	50 – 74	4, 7, 8	3	14 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	20	1	5 %
COMPLÉTÉE	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22	16	72 %
TOTAL			22	100 %

Ottawa

2. Le tableau ci-dessous présente l'évaluation de la direction concernant le degré de réalisation de chaque recommandation en date du 31 janvier 2013 en réponse à l'évaluation du Bureau du vérificateur général. Ces évaluations n'ont pas fait l'objet d'une vérification.

CATÉGORIE	POURCENTAGE COMPLÉTÉ	RECOMMANDATIONS	NOMBRE DE RECOMMANDATIONS	POURCENTAGE DU TOTAL DES RECOMMANDATIONS
PEU OU PAS DE MESURES PRISES	0 – 24	-	-	-
ACTION AMORCÉE	25 – 49	1, 3	2	9 %
COMPLÉTÉE EN PARTIE	50 – 74	4, 7, 8	3	14 %
PRATIQUEMENT COMPLÉTÉE	75 – 99	-	-	-
COMPLÉTÉE	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22	17	77 %
TOTAL			22	100 %

Conclusion

La Direction des recettes a fait d'importants progrès dans la mise en œuvre des recommandations du rapport.

Remerciements

Nous tenons à remercier la direction pour la coopération et l'assistance accordées à l'équipe de vérification.

1 INTRODUCTION

The Follow-up to the 2010 Audit of the Revenue Branch was included in the Auditor General's Audit Plan.

The key findings of the original 2010 audit included:

- The City's Revenue Branch should continue to implement automation of their processes and look for additional opportunities to realize operating efficiencies and improve service to residents and businesses in Ottawa.

- Currently, there are many systems including stand-alone spreadsheets used by the Revenue Branch that require additional staff time. There are some systems projects underway, for which Management has identified operational efficiencies. In addition, greater automation could result in offering additional automated services to the public.

- Overall, the audit found the corporate tax system is effective and efficient with all property tax bills tested being accurate. However, $6.7 million in property tax appeals represent a potential outstanding liability that is not recorded in the financial statements.

2 KEY FINDINGS OF THE ORIGINAL 2010 AUDIT

1. The Branch had not completed the flowcharting of all business processes. As part of this audit, the Office of the Auditor General (OAG) using documentation prepared by the Branch, including some flowcharts, conducted a detailed review of 20 critical business processes, including documenting and flowcharting these processes, and looking for opportunities for improvement and efficiencies. During the course of the audit the Branch completed the flowcharting that Management considered the most important of their business processes.

2. Revenue Branch staff use many systems to bill and collect the City's revenue as there are specialized requirements such as for calculation purposes and privacy purposes.   This includes stand-alone spreadsheets such as for Payment in Lieu of Taxes (PILT), tax rebates and related interest and assessment adjustments and client inquiry tracking.   This has resulted in the need for additional staff time for data entry and review and reconciliations between sub-systems and SAP, the City's financial system. For the long term, the City should continue to pursue automation opportunities within the Revenue Branch especially regarding offering additional services to the public.

3. Property tax billing processes are adequate and the property tax ratio and rate setting process meet legislative requirements.

4. Although the tax adjustment processes within the Revenue Branch are managed through manual processes, we found that staff are thorough with respect to the process.

5. Management had already recognized that the current PILT spreadsheet cannot be relied upon as a long-term solution for PILT and sought an automated solution. The PILT database project was estimated to cost $100,000 and was identified in the 2008 budget. Administrative savings were not specified. Management indicated that they expect to realize some staff efficiencies when the database solution is operational, and that they plan to redeploy these resources to other PILT activities such as the protection of current levels of PILT revenue and the possibility of additional PILT revenue. As of March 2011, the projected completion date is May 2011. The City should realize operating efficiencies from the implementation of the PILT database.

6. The Branch approved a business case to automate "Client Inquiry Tracking – Revenue" in early 2009. The business case had an estimated one-time cost of $20,000 which would be offset by savings within an estimated one year payback period. The business case identified a number of business problems with the current use of spreadsheet for tracking. The project was placed on hold by ITS in late 2009. Management indicated they have pursued off the shelf external providers; however, they found the costs to be extremely high (i.e., $50,000 annual licensing fee for 70 users). The City should pursue opportunities for potential automation.

7. As at the end of 2009, there was approximately $2 million in outstanding credits on water accounts representing monies that are owing to customers, primarily due to cases where estimated water usage has exceeded actual readings. Management has indicated that these variances are normal for any utility using estimated billings when fluctuations in consumption vary due to factors including weather, equipment changes and variance in the number of occupants. Management indicated that the new system using a radio frequency system to collect consumption data will reduce the number of estimated bills and substantially address credit balances on accounts. In addition, Management expects operational efficiencies which will result in on-going annual savings of $1 million.

8. User fee calculations are based on planned costs and volumes and we found that there was no recent comparison of these planned amounts to actual costs and volumes in order to validate that the fees charged were justified. During the course of this audit in April 2011, Management started this process and did some work compiling actual costs and volumes for 2009. This work should be considered in setting future user fees. In addition, Council should be provided with the details of the costing used to justify the user fees.

9. Some user fee calculations include costs that in our opinion are not attributable to the service being provided. For example, in our opinion, the MPAC licensing fee should not be included as a cost element for water related user fees.

10. The Revenue Branch undertook a comparison study of its user fees against those of other municipalities. However, results of this study were not included in reports to Council and could be included for comparative purposes. We noted that in November 2009 the City of Toronto provided a detailed report to their Committee and Council with comparative information from other municipalities for approval of new and increased user fees for property tax, utility and parking ticket accounts.

11. Revenue Branch service fees (user fees) have increased each year from 2006 to 2010. The 2011 Budget proposed no fee changes as the costs of service were reduced within the Revenue Branch in 2010.

12. Management approved an initiative in 2008 for an automated solution for Property Change of Ownership by law firms. The business case showed one-time costs of $99,000 and annual costs of $12,000 with anticipated efficiencies in the form of redeployable savings of $89,000 per year as well as improved client service. The business problem identified that the manual updating of the tax system has caused unnecessary time and effort to be spent on processing forms. This project was cancelled by ITS in 2011. Management has indicated that it is too early for this project to be included in other Corporate projects. Management should consider proceeding with this project.

13. The Revenue Branch staff do not currently have discretion to adjust penalties, interest charges or other service fees. For example, there is no discretion to adjust penalties on late payments when the ratepayer claims payment was delayed due to death or illness. Penalties are only adjusted when the City is at fault or when an envelope post-mark shows that the payment was mailed before the due date. The Branch supports this approach as it provides for equal treatment to all ratepayers.

14. The charitable rebate process is not in compliance with legislative requirements with respect to payment timeframes, interest on late payments and recalculations based upon assessment changes.

15. For the charitable rebate program, the Branch has made reductions to charity rebate application decisions based upon criteria that have not been included in City policy. The specific details are also not provided to Council or the charity.

16. As identified by the City's External Auditor's in 2010, the potential outstanding liability related to property tax appeals is not recorded in the financial statements. As at December 31, 2009, Management had estimated the potential liability to be $6.7 million.

17. Vacancy Rebate Authority Levels for payments of final vacancy rebates are not appropriately documented in writing as required by the Delegated Authority by-law.

18. Management has established several processes in order to meet the requirements of vacancy rebates. These processes result in additional time for manual processing and additional reviews.

19. In 2006 and 2007 vacancy rebates in excess of $527,000 were paid to an organization that was not the owner of the property as recorded on the tax system. In 2009, as a result of an unrelated management review, Revenue Branch staff identified that the applicant was not the owner, but rather was a tenant and retroactively denied the rebates. The matter became the subject of an Assessment Review Board (ARB) hearing to determine the extent of eligibility and the ARB upheld the original Branch decision.

20. We found that payments for recreation programs were captured in CLASS system daily, but the monies accepted and processed by Client Service Centres for CLASS payments were only being deposited weekly. This matter was raised with Management during the audit and the processes were subsequently changed to daily deposits in November 2010. Management has indicated that they, as well as the Parks and Recreation Department, were aware of the issue and had identified it prior to the commencement of the audit. Management has indicated that the deposit amounts are relatively immaterial.

21. The overnight client tax payment file from the cash register system at the CSC requires the file to be uploaded by staff daily into the tax system.

3   STATUS OF IMPLEMENTATION OF 2010 AUDIT RECOMMENDATIONS

2010 Recommendation 1
That the City complete the documentation of the remaining processes and update processes as they change over time.

2010 Management Response
Management agrees with this recommendation.

Of 19 of the most important processes, all were completely flowcharted by November 2010. Of the 49 important processes, 8 were completely flowcharted by January 2011. The remaining 41 processes will be completed by the end of Q2 2013.

Management Representation of the Status of Implementation of Recommendation 1 as of July 3, 2012

Work has commenced on documenting the remaining 41 important processes and flowcharts. Twelve of these processes are substantially complete. The remaining 29 processes will be complete by the end of Q2 2013.

Management: % complete   *25%*

OAG's Follow-up Audit Findings regarding Recommendation 1

Upon completion of the original audit, there were 49 important processes to be documented. Just less than one-half of these processes (23) have now been documented.

OAG: % complete   *45%*

Management Representation of Status of Implementation of Recommendation 1 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding.

Revenue Branch has engaged a consultant to complete documentation of the remaining important processes by the end of Q2 2013.

Management: % complete   *45%*

2010 Recommendation 2

That the City continue to regularly monitor the cost of sending reminder notices for tax accounts and ensure they are not sent below the cost thresholds.

2010 Management Response

Management agrees with this recommendation.

This remains current practice.

Management Representation of the Status of Implementation of Recommendation 2 as of July 3, 2012

As indicated in the management response, this practice was in place at the time of the audit.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 2

The City monitors the cost of sending reminders each year as part of its annual fee calculation. They ensure that the figure that they use as a minimum tax account balance is with a range (25%) of their calculated fee. The 2011 actual cost was estimated to be $6.62 and the minimum account balance mailed was $6.15.

OAG: % complete   *100%*

2010 Recommendation 3

That the City realize the operating efficiencies with the implementation of the automated meter reading system.

2010 Management Response

Management agrees with this recommendation.

The project and migration to the new system will be completed along with the realization of related operating efficiencies by the end of Q4 2013.

Management Representation of the Status of Implementation of Recommendation 3 as of July 3, 2012

The installation of automated meters is proceeding on schedule. To date, 67% have been installed. Staffing changes have been made that will allow for savings to begin by the end of 2012 and the remaining operating efficiencies are expected by the end of Q4 2013.

Management: % complete   *25%*

OAG's Follow-up Audit Findings regarding Recommendation 3

With the on-going implementation of the automated meter reading system, the number of staff is down from 13 FTEs to 10, roughly a 25% decrease management indicated. Management indicated that further reductions are planned as more meters are converted from manual to automated.

OAG: % complete   *25%*

Management Representation of Status of Implementation of Recommendation 3 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding, however further progress has been made.

The installation of automated transmitters is proceeding on schedule. To date, 90% have been installed with Phase 2 requiring the replacement of old incompatible water meters across the City. Staffing changes have been made that allowed for savings to begin in Q4 2012 and the remaining operating efficiencies are expected by the end of Q4 2013.

Management: % complete   *45%*

2010 Recommendation 4

That the City provide more information to Council about user fees including the:
a) **Method of calculation showing related direct and indirect cost elements considered;**

b) **Comparison of the actual volumes and costs to the budgeted volumes and costs; and,**

c) **Comparison to other user fees in other municipalities in order to supplement the City's own costing data and reinforce the appropriateness of the fee.**

2010 Management Response

Management agrees with this recommendation.

This information will be provided to Council by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 4 as of July 3, 2012

Revenue Branch is well underway with the recommended user fee documentation and plans to bring it before Council by the end of Q2 2013.

Management: % complete   *50%*

OAG's Follow-up Audit Findings regarding Recommendation 4

The user fee information has been drafted and is planned to be brought to Council in 2013. 50% is a reasonable estimate of the completion percentage.

OAG: % complete   *50%*

Management Representation of Status of Implementation of Recommendation 4 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding.

Revenue Branch is well underway with the recommended user fee documentation and plans to bring it before Council by the end of Q2 2013.

Management: % complete   *50%*

2010 Recommendation 5

That the City consider reviving the Property Change of Ownership project and developing the business case to consider other automation opportunities to realize annual operational efficiencies and improve client service.

2010 Management Response

Management agrees with this recommendation.

The Branch will review further automation opportunities as a participant in the Service Ottawa Project. This review will be completed by the end of Q4 2013.

Management Representation of the Status of Implementation of Recommendation 5 as of July 3, 2012

Revenue Branch has reviewed automation opportunities and is prepared to participate in them when IT resources become available.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 5

The Property Change of Ownership project was considered as part of the Service Ottawa project. Revenue Branch management tried to revive the project as recommended and commits to continuing to do so.

OAG: % complete   *100%*

2010 Recommendation 6

That the Revenue Branch publish a simple set of client service standards that can be shared with the public.

2010 Management Response

Management agrees with this recommendation.

The Branch already publishes some client service standards. The Branch will determine the most effective method of publishing the remaining client service standards by the end of Q1 2012. The remaining client service standards will be published by the end of Q3 2012.

Management Representation of the Status of Implementation of Recommendation 6 as of July 3, 2012

A method for publishing a simple set of service standards on the City's website has been determined and the standards will be published by the end of Q3 2012.

Management: % complete   *80%*

OAG's Follow-up Audit Findings regarding Recommendation 6

The nine service standards identified by Revenue Branch management to be shared with the public have all been published on Ottawa.ca.

OAG: % complete   *100%*

2010 Recommendation 7

That Management pursue opportunities to automate the client inquiry tracking system based on alternative automation systems.

2010 Management Response

Management agrees with this recommendation.

The City has pursued opportunities to automate the inquiry tracking system. The automation and software to capture this client activity is similar in scope to the Client Services Management system being implemented through the Service Ottawa initiative.   The first phase of the Service Ottawa Client Services Management system is scheduled for Q3 2011. The Branch is scheduled for the second phase. The timing of the release of the second phase will not be determined until after phase one is complete.

Management Representation of the Status of Implementation of Recommendation 7 as of July 3, 2012

The first phase of the Service Ottawa Client Services Management system was released in Q4 2011. The Revenue Branch is scheduled for the second phase. However, the timing of the release of the second phase has not yet been determined by Service Ottawa. Given that call recording was implemented in the Revenue Branch in September 2010, any future changes must maintain the minimum quality assurance and service levels that currently exist. Once Phase Two begins and the City has implemented environments for other systems including Voice over Internet Protocol (VoIP) and call recording, Revenue Branch is prepared to participate.

The estimated date of completion for this recommendation is Q4 2013.

Management: % complete   *0%*

OAG's Follow-up Audit Findings regarding Recommendation 7

Revenue Branch management has pursued opportunities to automate client inquiry tracking by participating in the Service Ottawa initiative. Requests for Water / Sewage / Tax information was specifically analyzed by the Service Ottawa team. At the present time, it is not clear if or when Service Ottawa will deliver this functionality, however Revenue Branch management has pursued opportunities and should continue to do so. The recommendation however will not be implemented until Service Ottawa has addressed Revenue Branch requests.

OAG: % complete _____ *50%*

Management Representation of Status of Implementation of Recommendation 7 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding.

Revenue Branch continues to pursue opportunities to automate client inquiry tracking by participating in the Service Ottawa initiative. Service Ottawa has assembled a project team to implement call recording and workforce management tools into Service Ottawa's operations.   Given that call recording was implemented in the Revenue Branch in 2010, future changes must maintain the minimum quality assurance and service levels that currently exist.   Once complete, the Revenue Branch will be scheduled for the Voice over Internet Protocol (VoIP), call recording and work force management tool upgrade.

Service Ottawa and Revenue staff have developed a work plan to begin the deployment of the Client Services Management technology in the Revenue Branch in late August 2013, with a go-live planned for the end of Q4 2013.

Management: % complete _____ *50%*

2010 Recommendation 8
That the City review the Delegated Authority with respect to discretion for waiving fees.

2010 Management Response
Management agrees with this recommendation.

The Delegated Authority is reviewed by the City regularly. By the end of Q4 2012, the Branch will examine each of the fees with respect to seeking discretion for staff for the waiving of fees.

Management Representation of the Status of Implementation of Recommendation 8 as of July 3, 2012

Revenue Branch has reviewed the Delegated Authority with respect to discretion for waiving fees and determined that the requirement for segregation of duties makes the granting of discretion to staff inappropriate.

Management: % complete _____ *100%*

OAG's Follow-up Audit Findings regarding Recommendation 8

Revenue Branch management has reviewed the Delegation Authority with respect to discretion for waiving fees and has concluded on it. The next step is to bring this conclusion to Council via the Finance framework. 50% is a reasonable estimate of the completion percentage.

OAG: % complete _____ *50%*

Management Representation of Status of Implementation of Recommendation 8 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding.

Revenue Branch has reviewed the Delegated Authority with respect to discretion for waiving fees and has concluded that the requirement for segregation of duties makes the granting of discretion to waive user fees to staff inappropriate. This conclusion will be brought to Council before the end of 2013.

Management: % complete   *50%*

2010 Recommendation 9

That the City realize operating efficiencies from the implementation of the PILT database.

2010 Management Response

Management agrees with this recommendation.

The project and migration to the new system will be completed along with the realization of related operating efficiencies by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 9 as of July 3, 2012

The project and migration are substantially complete. Operating efficiencies are beginning to be realized and should be complete by the end of Q4 2012, contingent upon sufficient IT resources being available to complete the project.

Management: % complete   *80%*

OAG's Follow-up Audit Findings regarding Recommendation 9

The PILT database is in operation and has resulting in efficiencies. Staff have been reassigned to other higher value activities including analysis and resolving Dispute Advisory Panel issues.

OAG: % complete   *100%*

2010 Recommendation 10

That the City:
a) **Include the criterion for processing charity rebate applications and adjustments to calculations in City policy and disclose the policy to Council;**

b) **Provide calculation details for charity rebates to the charity; and,**

c) **Make available, to Council, a schedule of prior year charity rebates.**

2010 Management Response

a) Management agrees with this recommendation. The policy has already been updated. The policy will be shared with Council by the end of Q2 2012.

b) Management agrees with this recommendation. Calculation details will be provided to charities by the end of Q4 2012.

c) Management agrees with this recommendation. A schedule of prior year charity rebates will be on deposit with the Deputy Treasurer, Revenue by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 10 as of July 3, 2012

This recommendation has been implemented. The policy has been updated and shared with Council and a schedule of prior year rebates was made available to councillors. Calculation details are being provided to charities since Q1 2012 for their applications for 2011 and subsequent tax years.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 10

The policy has been updated and shared with Council. Calculation details are provided to the charities and a schedule of prior year rebates was made available to councillors.

OAG: % complete   *100%*

2010 Recommendation 11

That the City update the charitable rebate process (policies, procedures and practises) to ensure that rebates are paid within legislative timeframes.

2010 Management Response

Management agrees with this recommendation.

The Branch has already implemented this recommendation.

Management Representation of the Status of Implementation of Recommendation 11 as of July 3, 2012

As indicated in the management response, this recommendation has been implemented.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 11

Charitable Rebate policy and procedures have been updated. Practices have been changed such that rebates are now paid within legislative time frames.

2010 Recommendation 12

That the City update the charitable rebate process (policies, procedures and practises) to include the requirement to pay interest as required by subsection 361(9) of the *Municipal Act*.

2010 Management Response

Management agrees with this recommendation.

The Branch has already implemented this recommendation and has updated the policies and procedures.

Management Representation of the Status of Implementation of Recommendation 12 as of July 3, 2012

As indicated in the management response, this recommendation has been implemented.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 12

The Charitable Rebate policy and procedures have been updated. Practices have been changed such that rebates are now paid on time so that interest does not have to be paid.

OAG: % complete   *100%*

2010 Recommendation 13

That the City consider updating the charitable rebate process (policies, procedures and practises) to include the requirement to recalculate charity rebates upon assessment changes and to recover funds owed to the City and remit funds owed to charities in accordance with the *Municipal Act*.

2010 Management Response

Management agrees with this recommendation.

The Branch will review the implications of changes to the charitable rebate process (policies, procedures and practises) to include the requirement to recalculate charity rebates upon assessment changes and to recover funds owed to the City and remit funds owed to charities by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 13 as of July 3, 2012

This recommendation has been implemented with updates to the charitable rebate policies and procedures, as provided to Council in the tax policy report approved by Council in May 2012 (2012 Tax Ratios and Other Tax Policies – Coefficients fiscaux et autres politiques d'imposition de 2012 – ACS2012-CMR-FIN-0015).

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 13

The Charitable Rebate policy and procedures have been updated. The new policy is to only collect reductions in Charitable Rebates related to assessment value changes if the City knows that the charity will receive the benefit of the property tax reduction. Practices had changes as the Tax Policy group generates a list of properties related charities that have had assessment changes. The Charity Rebates group reviews this listing for any cases where they know the charity will receive the benefit of the property tax reduction.

OAG: % complete   *100%*

2010 Recommendation 14

That each year the City review the need to establish an allowance for write-offs of the property tax appeals within the financial accounting system as also recommended by the external auditors.

2010 Management Response

Management agrees with this recommendation.

This is already current practice. In the year-end financial process, Branch staff review outstanding appeals in light of past experience to determine with certainty a pattern of predictable write-offs. Given the common practice by large property owners of annually appealing their assessments, the outcome of multi-year open appeals is difficult to determine.

Management Representation of the Status of Implementation of Recommendation 14 as of July 3, 2012

As indicated in the management response, this practice was in place at the time of the audit.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 14

The City reviewed the need to establish an allowance. They choose not to do so and disclosed this in the notes to the financial statements. The Treasurer reported this difference to Council.

OAG: % complete   *100%*

2010 Recommendation 15

That the City ensure that references relating to authority levels for vacancy rebates are appropriately documented in the vacancy rebate process (policies, procedures, practises) as well as in supporting documentation.

2010 Management Response

Management agrees with this recommendation.

The Branch will complete the review of the policies, procedures, practises and supporting documentation for the vacancy rebate process to ensure the consistent use of terminology by the end of Q4 2011.

Management Representation of the Status of Implementation of Recommendation 15 as of July 3, 2012

The Branch has completed the review of the policies, procedures, practices and supporting documentation for the vacancy rebate process.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 15

The policy has been updated to state that each level has designated limits, and these limits have been set out in the procedures.

OAG: % complete   *100%*

2010 Recommendation 16

That the City consider options to automate the vacancy rebate process.

2010 Management Response

Management agrees with this recommendation.

This remains current practice. The Branch will review automation options for the balance of the vacancy rebate process by Q4 2012.

Management Representation of the Status of Implementation of Recommendation 16 as of July 3, 2012

Revenue Branch has reviewed automation options for the vacancy rebate process.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 16

Revenue Branch management held a meeting to consider options to automate this process, however in the end they choose to continue use of the commercial-off-the-shelf tax system.

OAG: % complete   *100%*

2010 Recommendation 17

That the City update the vacancy rebate process (policies, procedures, practises) to incorporate Management's changes regarding interest calculations.

2010 Management Response

Management agrees with this recommendation.

The procedure "Handling Interest Payment and Penalty Reversal Calculations" was updated in July 2010.

Management Representation of the Status of Implementation of Recommendation 17 as of July 3, 2012

As indicated in the management response, this recommendation has been implemented.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 17

The Policy and Procedures have been updated and new practices are in use that use the correct dates and interest rates.

OAG: % complete   *100%*

2010 Recommendation 18

That the City ensure that CLASS deposits at the Client Service Centres are made on a daily basis and that the credit card terminal is closed daily in accordance with the *Cash Handling Policy* and *Cash Handling Procedures*.

2010 Management Response

Management agrees with this recommendation.

This practice was implemented in November 2010.

Management Representation of the Status of Implementation of Recommendation 18 as of July 3, 2012

As indicated in the management response, this recommendation has been implemented.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 18

CLASS receipts are now included with the other receipts and deposited daily.

OAG: % complete   *100%*

2010 Recommendation 19

That the City ensure deposits over the maximum daily allowable amount are dealt with in accordance with the *Cash Handling Policy* and *Cash Handling Procedures.*

2010 Management Response

Management agrees with this recommendation.

This remains current practice. The Cash Handling Procedures provide guidelines on actions to be taken when amounts on hand exceed certain thresholds, but do not actually preclude keeping any amount on site. Any decision regarding scheduling would take into account the cost of an additional pickup as well as the logistics of the City's contract with its cash courier service provider and the hours of operation of the site in question. The closer the amount on hand to the guideline, the less likely a recommendation to change the pickup schedule.

Management Representation of the Status of Implementation of Recommendation 19 as of July 3, 2012

As indicated in the management response, this practice was in place at the time of the audit.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 19

Corporate Accounting staff receive the calls from sites notifying them of cash levels above the policy threshold. Financial Process, Compliance and Systems reviewed compliance with the policy and procedures in 2012. They found that deposits were being made in a timely fashion and in accordance with policy and procedures.

OAG: % complete   *100%*

2010 Recommendation 20

That the City clarify responsibilities for monitoring compliance under the *Cash Handling Policy* and *Cash Handling Procedures*.

2010 Management Response

Management agrees with this recommendation.

The City will clarify responsibilities for monitoring compliance under the Cash Handling Policy and Cash Handling Procedures by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 20 as of July 3, 2012

Work within the Finance department on clarifying responsibilities for monitoring compliance under the Cash Handling Policy and Procedures is underway and is on schedule to be complete by Q4 2012.

Management: % complete   *80%*

OAG's Follow-up Audit Findings regarding Recommendation 20

At the time of our follow-up audit field work in December 2012, City staff were in the process of drafting a new policy. This policy clearly assigned responsibility for monitoring compliance with the policy to the Financial Process, Compliance and Systems Unit of the Finance Department. This policy was approved by the City Treasurer in January 2013. As the work required was substantially, but not totally complete as of December 31, we assessed it to be 90% complete.

OAG: % complete   *90%*

Management Representation of Status of Implementation of Recommendation 20 as of January 31, 2013

Management agrees with the OAG's follow-up audit finding, however further progress has been made.

The City Treasurer approved an updated Cash Handling Policy and Procedure in January 2013. The updated Cash Handling Policy and Procedure clearly assigns responsibility for monitoring compliance. It has been posted to Ozone and was communicated to City staff.

Management: % complete   *100%*

2010 Recommendation 21

That the City implement an automated process where the overnight client tax payment file from the cash register system at the CSC is automatically loaded into the tax system for processing.

2010 Management Response

Management agrees with this recommendation.

Follow-up to the 2010 Audit of the Revenue Branch

The Branch will implement an automated process where the overnight client tax payment file from the cash register system at the CSC is automatically loaded into the tax system for processing by the end of Q4 2012.

Management Representation of the Status of Implementation of Recommendation 21 as of July 3, 2012

Full automation is not being pursued as all financial transactions within the system are batch-driven and require supervisory approval prior to release. The process for loading the overnight client tax payment file from the cash register system at the CSC has been adjusted to provide for proper lock-down.

Management: % complete   *100%*

OAG's Follow-up Audit Findings regarding Recommendation 21

The system is not fully automated. It is a commercial-off-the-shelf tax system and full automation would go around the controls that are built into the system. Additional controls however were put into place. The client tax payment file is electronically copied into a "read-only" file directory so that it cannot be modified before it is uploaded into the tax system. As well, the file directory with the files to be uploaded has been hard-coded into the tax system so that the user cannot navigate to select and upload another file. These changes are reasonable for

OAG: % complete   *100%*

2010 Recommendation 22

That the City, for a longer-term solution, continue to pursue automation opportunities within the Revenue Branch especially regarding offering additional services to the public.

2010 Management Response

Management agrees with this recommendation.

The Branch has actively pursued automation opportunities of additional services to the public.

Management Representation of the Status of Implementation of Recommendation 22 as of July 3, 2012

As indicated in the management response, this was in place at the time of the audit. Revenue Branch actively pursues automation opportunities.

Management: % complete   *100%*

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OAG's Follow-up Audit Findings regarding Recommendation 22

Revenue Branch management provided examples (i.e., Identity Management Project, Service Ottawa) where they have pursued automation opportunities. These do not appear to be isolated cases.

OAG: % complete   *100%*

4 SUMMARY OF THE LEVEL OF COMPLETION

1. The table below outlines our assessment of the level of completion of each recommendation as of December 2012.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	1, 3	2	9%
PARTIALLY COMPLETE	50 – 74	4, 7, 8	3	14%
SUBSTANTIALLY COMPLETE	75 – 99	20	1	5%
COMPLETE	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22	16	72%
TOTAL			22	100%

2. The table below outlines management's assessment of the level of completion of each recommendation as of January 31, 2013 in response to the OAG's assessment. These assessments have not been audited.

CATEGORY	% COMPLETE	RECOMMENDATIONS	NUMBER OF RECOMMENDATIONS	PERCENTAGE OF TOTAL RECOMMENDATIONS
LITTLE OR NO ACTION	0 – 24	-	-	-
ACTION INITIATED	25 – 49	1, 3	2	9%
PARTIALLY COMPLETE	50 – 74	4, 7, 8	3	14%
SUBSTANTIALLY COMPLETE	75 – 99	-	-	-
COMPLETE	100	2, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22	17	77%
TOTAL			22	100%

5 CONCLUSION

Revenue Branch management has made significant progress in implementing the audit recommendations.

6 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.