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EXECUTIVE SUMMARY

Introduction
The Audit of the Revenue Branch was initially planned for 2010, but as a result of a City Council motion passed August 28, 2008, the audit was added to the audit plan for 2009, and is being reported as part of the 2010 annual report.

Background
The Revenue Branch of the City of Ottawa has approximately 158 full-time equivalents (FTE) representing approximately 30% of the Finance Services Department as structured in 2010. The Revenue Branch provides billing, customer service and collection services for most City services including taxation, utilities and user fees. For some departments that do their own billing and collect their own revenues as they pertain to their programs, the Revenue Branch only provides services on an as needed basis (such as collections and customer service). The Revenue Branch also supports all aspects of the property assessment process including liaison with the Municipal Property Assessment Corporation (MPAC), calculating capping provisions for designated property classes and payments in lieu of taxes and related tax adjustments. As a result of realignment in 2009, Cash Operations was assigned to the Revenue Branch in order to consolidate revenues, payments and collections.

The Revenue Branch manages an account base consisting of approximately 290,000 property tax accounts with a 2009 tax levy of $1.13 billion and 200,000 water and sewer accounts with annual revenues near $200 million. The Customer Service and Collection Unit within the Branch performs customer service and collections activities on property tax and water accounts as well as other amounts owing to the City. There are approximately 243,000 accounts being managed by the collections unit including amounts owing for provincial offences, parking fines, overpayment recoveries and general departmental program fees.

Audit Objectives
The audit was undertaken in order to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa. The audit was intended to assess the adequacy of management systems, controls and practices including those intended to control and safeguard assets.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and has ensured controls are in place. The degree to which systems were integrated and were aligned with Branch goals and priorities were also explored.

In addition, critical business processes were assessed to identify opportunities for improvement and efficiencies.
The audit criteria for this audit included:

1. To evaluate the degree to which the Revenue Branch complies with legislation regarding municipal revenues.
2. To evaluate the effectiveness of the current internal control framework with respect to revenues.
3. To assess the extent to which the City has maximized its revenues.
4. To assess the extent to which the City has maximized its property assessment for tax purposes.
5. To assess the extent to which the City safeguards assets.
6. To assess the degree to which revenue systems/policies/procedures and processes are aligned with strategic goals and support efficient, effective service delivery.

Audit Scope
The period covered in this audit was 2009 with some elements from 2010 and 2011 as identified in the report.

The scope of this audit focused on revenue management within the Revenue Branch and compliance with legislative authorities and policies as well as financial management and controls. This involved audit evidence gathered within the Revenue Branch, Financial Support Units (FSU), Client Service Centres (CSC), Planning and Growth Management, Parking and By-Law Operations, Provincial Offences and Information Technology Services (ITS). Some evidence of practices utilized by other municipalities was also gathered for comparison purposes.

Summary of Key Findings
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.

**Recommendations and Management Responses**

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

**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.

**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.

**Management Response**

Management agrees with this recommendation.

This remains current practice.

**Recommendation 3**

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

**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.

**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.

**Management Response**

Management agrees with this recommendation.

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

**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.

**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.

**Recommendation 6**
That the Revenue Branch publish a simple set of client service standards that can be shared with the public.

**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.

**Recommendation 7**
That Management pursue opportunities to automate the client inquiry tracking system based on alternative automation systems.

**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.

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

**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.

**Recommendation 9**
That the City realize operating efficiencies from the implementation of the PILT database.
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.

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.

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.

Recommendation 11

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

Management Response

Management agrees with this recommendation.

The Branch has already implemented this recommendation.

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.

Management Response

Management agrees with this recommendation.

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

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.

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.

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.

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.

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.

Recommendation 16
That the City consider options to automate the vacancy rebate process.

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.

**Recommendation 17**

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

**Management Response**

Management agrees with this recommendation.

The procedure “Handling Interest Payment and Penalty Reversal Calculations” was updated in July 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*.

**Management Response**

Management agrees with this recommendation.

This practice was implemented in November 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*.

**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.

**Recommendation 20**

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

**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.

**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.

**Management Response**
Management agrees with this recommendation.

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.

**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.

**Management Response**
Management agrees with this recommendation.

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

**Conclusion**
The Revenue Branch provides a wide range of services to many types of clients. Although much of the work under the Branch’s responsibility is impacted by extensive and regularly changing legislative requirements, the provision of these services and establishment of processes are Management’s responsibility. We found that the Branch had documented but not completed the flowcharting of their business processes.

In order to meet the objectives of this audit, which was to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa including the adequacy of management systems, controls and practices, the OAG conducted a detailed review of 20 critical business processes.

The objectives of this audit included exploring the degree to which systems were integrated and were aligned with Branch goals and priorities. In order to meet Branch goals and priorities, the Revenue Branch uses many systems including stand-alone spreadsheets which results in the need for additional staff time for data entry and review and for reconciliations between sub-systems and SAP, the City’s financial system.
We also assessed processes to identify opportunities for improvement and efficiencies. There are some systems projects underway, such as for meter reading and PILT, for which Management has identified operational efficiencies. Although the Branch generally operates accurately, the Branch should continue to pursue opportunities for automation including offering additional automated services to the public.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and has ensured controls are in place. We found the Revenue Branch generally meets legislative requirements, with the minor exception of property tax rebates, where Management indicated they plan to implement changes on a go-forward basis.

We found that the Corporate property tax system is effective and efficient in processing basic transactions such as producing tax bills and capturing receipts. We found all of the property tax bills tested to be accurate. In general, during the course of the audit, we found that Management was proactive in addressing many of the issues we identified in this report.

**Acknowledgement**

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

Introduction

Contexte
La Direction des recettes de la Ville d’Ottawa a à son actif environ 158 équivalents temps plein (ETP), ce qui représente près de 30 % de la Direction des services financiers, telle qu’elle a été structurée en 2010. Elle assure la facturation, le service à la clientèle et les services de recouvrement pour la plupart des services municipaux, y compris la fiscalité, les frais de services publics et les frais d’utilisation. En ce qui concerne certains services qui émettent et prélèvent leurs propres recettes liées à leurs programmes, la Direction des recettes fournit des services selon les besoins seulement (tels que les services de recouvrement et le service à la clientèle). La Direction des recettes soutient également tous les aspects du processus d’évaluation foncière, dont la liaison avec la Société d’évaluation foncière des municipalités, le calcul des dispositions de plafonnement pour les catégories foncières désignées, les paiements en remplacement d’impôts et les redressements fiscaux connexes. À la suite du remaniement en 2009, les Opérations de trésorerie ont été attribuées à la Direction des recettes afin de consolider les recettes, les paiements et les recouvrements.

La Direction des recettes gère une base comptable d’environ 290 000 comptes d’impôt foncier avec un prélèvement fiscal en 2009 de 1,13 milliard de dollars et 200 000 comptes d’eau et d’égout avec des recettes annuelles de près de 200 millions de dollars. La section du service à la clientèle et du recouvrement au sein de la Direction effectue les activités liées au service à la clientèle et au recouvrement sur les comptes d’impôt foncier et les comptes d’eau ainsi que celles liées à d’autres montants redevables à la Ville. La section du recouvrement gère à peu près 243 000 comptes, y compris les sommes exigibles pour cause d’infractions provinciales, de contraventions de stationnement, de recouvrements des trop-payés et de frais généraux découlant des programmes de divers services.

Objectifs de la vérification
La vérification a été entreprise dans le but de fournir une évaluation de l’administration et de la gestion globales de la Direction des recettes de la Ville d’Ottawa. Elle était destinée à évaluer la pertinence des systèmes de gestion, des contrôles et des pratiques, dont ceux visant à contrôler et à protéger les actifs.
En outre, la vérification a été entreprise afin d’évaluer le degré avec lequel la Direction des recettes a correctement reconnu les recettes visées par ses limites législatives et s’est assurée de la mise en place des contrôles. On a aussi exploré le degré avec lequel les systèmes ont été intégrés et harmonisés avec les buts et les priorités de la Direction.

De plus, on a évalué les processus administratifs essentiels afin de déceler les possibilités d’amélioration et d’efficience.

Les critères de vérification pour la présente vérification incluaient ce qui suit :

- Évaluer le degré avec lequel la Direction des recettes respecte la législation concernant les recettes municipales.
- Évaluer l’efficacité du cadre de contrôle interne actuellement en place pour ce qui est des recettes.
- Évaluer le degré avec lequel la Ville a maximisé ses recettes.
- Évaluer le degré avec lequel la Ville a maximisé son évaluation foncière aux fins d’impôt.
- Évaluer le degré avec lequel la Ville protège ses actifs.
- Évaluer le degré avec lequel les systèmes, les politiques, les procédures et les processus relatifs aux recettes sont harmonisés avec les objectifs stratégiques et favorisent une prestation de service efficace et adéquate.

**Portée de la vérification**

L’année 2009 est la période visée dans la présente vérification avec quelques éléments de l’année 2010 et 2011 comme il est indiqué dans le présent rapport.

La portée de la présente vérification s’est centrée sur la gestion des recettes au sein de la Direction des recettes, la conformité avec les autorités législatives et les politiques ainsi que sur la gestion et les contrôles financiers. Cela comportait la collecte de preuves de vérification au sein de la Direction des recettes, les Unités de soutien financier (USF), des Centres de service à la clientèle, du service d’urbanisme et de gestion de la croissance, des activités liées au stationnement et aux règlements municipaux, des infractions provinciales et des services de la technologie de l’information. Des éléments probants des pratiques utilisées par d’autres municipalités ont aussi été recueillis aux fins de comparaison.
Sommaire des principales constatations

1. La Direction n’avait pas encore terminé l’établissement de schémas d’opérations de tous les processus d’affaires. Dans le cadre de la présente vérification, le Bureau du vérificateur général (BVG) en utilisant la documentation préparée par la Direction, y compris certains schémas d’opérations, a mené un examen détaillé de vingt processus administratifs essentiels, y compris la documentation et l’établissement de schémas d’opérations de ces processus ainsi que la recherche de possibilités d’amélioration et d’efficience. Au cours de la vérification, la Direction a terminé l’établissement de schémas d’opérations de ses processus d’affaires que la direction considère comme étant les plus importants.

2. Le personnel de la Direction des recettes emploie de nombreux systèmes pour la facturation et le prélèvement dans le cas des recettes municipales, étant donné qu’il y a des exigences spécialisées, notamment aux fins de calcul et de confidentialité. Ces systèmes comportent des feuilles de calcul autonomes comme pour les paiements en remplacement d’impôts (PERI), les allègements fiscaux et les intérêts connexes, les rajustements d’évaluation et le suivi des demandes de renseignements des clients. Cela s’est traduit par le besoin de temps supplémentaire du personnel pour saisir les données, revoir les sous-systèmes et faire le rapprochement entre les sous-systèmes et le système SAP, le système financier de la Ville. À long terme, la Ville devrait continuer de poursuivre des possibilités d’automatisation au sein de la Direction des recettes, surtout en ce qui a trait à l’offre de services supplémentaires au public.

3. Les processus de facturation d’impôt foncier sont adéquats et le processus d’établissement du ratio et du taux d’imposition foncière répond aux prescriptions législatives.

4. Même si les processus de redressement fiscal au sein de la Direction des recettes sont gérés par des processus manuels, nous avons constaté que le personnel est minutieux en ce qui a trait au processus.

5. La direction a déjà reconnu que la feuille de calcul actuelle pour les PERI n’est pas une solution fiable à long terme et elle cherche une solution automatisée. Le coût du projet de la base de données pour les PERI est évalué à 100 000 $ et a été identifié dans le budget de 2008. Les économies sur le plan administratif n’ont pas été précisées. La direction a indiqué qu’elle prévoit réaliser des efficiencies sur le plan du personnel une fois que la base de données sera fonctionnelle et elle prévoit réaffecter ces ressources à d’autres activités liées aux PERI comme la protection des niveaux actuels des recettes relatives aux PERI et la possibilité de recettes supplémentaires pour les PERI. À compter de mars 2011, la date d’achèvement prévue est mai 2011. La mise en œuvre de la base de données pour les PERI devrait permettre à la Ville de réaliser des efficiencies opérationnelles.
6. La Direction a approuvé une analyse de rentabilisation pour automatiser le « Suivi des demandes de renseignements des clients - Recettes » au début de 2009. L’analyse de rentabilisation avait un coût ponctuel estimatif de 20 000 $ qui serait annulé par les économies réalisées au cours d’une période de récupération estimative d’un an. L’analyse de rentabilisation a permis de cerner plusieurs problèmes administratifs relativement à l’utilisation de la feuille de calcul actuelle pour effectuer les suivis. Le projet a été mis en suspens par les Services de technologie de l’information à la fin de 2009. La direction a indiqué qu’elle avait fait appel à des fournisseurs externes de technologie de série; toutefois, elle a jugé que les coûts étaient très élevés (soit des droits de licence annuels de 50 000 $ pour 70 utilisateurs). La Ville doit poursuivre des options possibles d’automatisation.

7. À la fin de 2009, les comptes d’eau comportaient des encours de crédit d’environ 2 millions de dollars, ce qui représente des sommes dues aux clients, et ce, essentiellement dans des cas où l’estimation de l’utilisation d’eau dépassait les relevés réels des compteurs d’eau. La direction a indiqué que ces écarts étaient normaux pour tout service public qui a recours à des facturations estimatives lorsque les fluctuations dans la consommation varient en raison de certains facteurs comme la météo, les changements de matériel et la variation dans le nombre d’occupants. La direction a indiqué que le nouveau système à base de radiofréquence pour recueillir les données sur la consommation réduira le nombre de factures estimatives et permettra de régler considérablement les soldes de crédits sur les comptes. De plus, la direction prévoit des efficiencies opérationnelles qui occasionneront des économies annuelles de 1 million de dollars.

8. Les frais d’utilisation sont calculés à partir des coûts et des volumes prévus. Nous avons constaté qu’il n’y avait pas de comparaison récente de ces montants prévus pour les coûts et les volumes réels qui permet de confirmer que les frais imposés sont justifiés. Au cours de la présente vérification en avril 2011, la direction a entamé ce processus et a commencé à compiler les coûts et les volumes réels de 2009. Ce travail devrait être pris en compte lorsqu’il s’agira d’établir les frais d’utilisation futurs. De plus, on devrait fournir des détails au Conseil sur l’établissement des coûts utilisé pour justifier les frais d’utilisation.

9. Certains calculs visant les frais d’utilisation comportent des coûts qui, à notre avis, ne sont pas attribuables au service offert. Par exemple, nous estimons que les droits d’octroi de permis de la Société d’évaluation foncière des municipalités ne doivent pas constituer un élément de coût pour les frais d’utilisation liés à l’eau.
10. La Direction des recettes a entrepris une étude de comparaison de ses frais d’utilisation contre ceux des autres municipalités. Cependant, les résultats de l’étude n’ont pas été inclus dans les rapports présentés au Conseil, mais pourraient l’être aux fins de comparaison. Nous avons remarqué qu’en novembre 2009, la Ville de Toronto a présenté à son comité et au Conseil un rapport détaillé contenant des données comparatives provenant d’autres municipalités en ce qui concerne l’approbation des frais d’utilisation nouveaux et majorés pour les comptes d’impôt foncier, de services publics et de contraventions de stationnement.


12. La direction a approuvé une initiative en 2008 en faveur d’une solution automatisée pour le transfert de titre de propriété par les cabinets d’avocats. L’analyse de rentabilisation indiquait des coûts ponctuels de 99 000 $ et des coûts annuels de 12 000 $ avec des efficiences anticipées sous forme d’économies à redistribuer de 89 000 $ par année et de service à la clientèle amélioré. Le problème administratif indiquait que la mise à jour manuelle du système fiscal entraînait une perte de temps et d’effort consacrés au traitement des formulaires. Les Services de technologie de l’information ont annulé ce projet en 2011. La direction a indiqué qu’il est trop tôt pour inclure ce projet dans d’autres projets municipaux. La direction devrait envisager de donner suite à ce projet.

13. Le personnel de la Direction des recettes ne possède pas le pouvoir à l’heure actuelle de rajuster les pénalités, les frais d’intérêts ou d’autres frais de service. Par exemple, aucun pouvoir n’existe pour rajuster les pénalités sur les paiements en retard lorsque le contribuable prétend que le paiement est en retard pour cause de décès ou de maladie. Les pénalités sont seulement rajustées lorsque la Ville est dans le tort ou le cachet de la poste sur l’enveloppe indique que le paiement a été posté avant la date d’échéance. La Direction favorise cette approche, car elle assure un traitement égal à tous les contribuables.

14. Le processus d’allègement fiscal pour les organismes de charité n’est pas conforme aux prescriptions législatives pour ce qui est des délais de paiement, des frais d’intérêts sur les paiements en retard et des recalculs basés sur les modifications d’évaluation.

15. Quant au programme d’allègement fiscal pour les organismes de charité, la Direction a effectué des réductions en ce qui concerne les décisions de demande d’allègement fiscal pour les organismes de charité basées sur des critères qui n’ont pas été compris dans la politique municipale. De plus, des détails précis n’ont pas été fournis au Conseil ou aux organismes de charité.
16. Comme il a été indiqué par le vérificateur externe de la Ville en 2010, la dette potentielle non réglée visant les appels en matière d’impôt foncier n’est pas consignée dans les états financiers. Au 31 décembre 2009, la direction a évalué la dette potentielle à 6,7 millions de dollars.

17. Les niveaux d’autorité concernant les allègements fiscaux pour immeubles inoccupés en prévision des derniers paiements à ce chapitre ne sont pas correctement documentés par écrit comme le requiert le règlement municipal régissant les pouvoirs délégués.

18. La direction a établi plusieurs processus afin de remplir les exigences en matière d’allègement fiscal pour immeuble inoccupé. Ces processus exigent du temps supplémentaire pour le traitement manuel et les examens supplémentaires.

19. En 2006 et en 2007, des allègements fiscaux pour immeubles inoccupés dépassant 527 000 $ ont été versés à une organisation qui n’était pas propriétaire du bien-fonds tel qu’il était indiqué dans le système fiscal. En 2009, à la suite d’un examen de gestion non connexe, le personnel de la Direction des recettes a découvert que le demandeur n’était pas le propriétaire, mais plutôt un locataire et a refusé d’accorder les allègements fiscaux de manière rétroactive. L’affaire a fait l’objet d’une audience de la Commission de révision de l’évaluation foncière afin de déterminer l’étendue de l’admissibilité et la Commission a maintenu la décision originale de la Direction des recettes.

20. Nous avons constaté que les paiements pour les programmes de loisirs étaient saisis quotidiennement dans le système CLASS, mais que les sommes acceptées et traitées par les Centres de service à la clientèle pour les paiements CLASS étaient seulement déposées hebdomadairement. Cette question a été soulevée auprès de la direction lors de la vérification et les processus ont été par la suite changés à des dépôts quotidiens en novembre 2010. La direction a indiqué qu’elle et le service des parcs et des loisirs étaient au courant du problème et en avaient fait mention avant le début de la vérification. Selon la direction, les montants des dépôts étaient relativement minimes.

21. Le dossier de paiement de taxe d’un client d’une nuitée depuis le système de caisse enregistreuse au Centre de service à la clientèle exige que le dossier soit téléchargé quotidiennement par le personnel dans le système fiscal.

**Recommandations et réponses de la direction**

**Recommandation 1**

Que la Ville termine la documentation des processus qui restent et mette à jour les processus à mesure qu’ils évoluent avec le temps.
Réponse de la direction
La direction est d’accord avec cette recommandation.


Recommandation 2
Que la Ville continue de surveiller régulièrement le coût d’envoi des avis de rappel des comptes d’impôt et s’assure qu’ils ne sont pas postés en deçà des seuils de coût.

Réponse de la direction
La direction est d’accord avec recommandation.

Cela demeure une pratique courante.

Recommandation 3
Que la Ville réalise les efficiences opérationnelles avec la mise en œuvre du système automatisé de relevés de compteurs d’eau.

Réponse de la direction
La direction est d’accord avec cette recommandation.

Le projet et la migration au nouveau système seront terminés d’ici la fin du quatrième trimestre de 2013 de même que la réalisation des efficiences opérationnelles.

Recommandation 4
Que la Ville procure plus de renseignements au Conseil sur les frais d’utilisation, y compris :
a) la méthode de calcul montrant les éléments de coût directs et indirects envisagés;
b) la comparaison des volumes et des coûts réels par rapport aux volumes et aux coûts budgétés;
c) la comparaison par rapport aux frais d’utilisation des autres municipalités afin de compléter ses propres données sur le calcul des coûts et de renforcer le bien-fondé des frais.

Réponse de la direction
La direction est d’accord avec cette recommandation.
Cette information sera fournie au Conseil d’ici la fin du quatrième trimestre de 2012.

**Recommandation 5**
Que la Ville considère réanimer le projet de transfert de titre de propriété et élaborer une analyse de rentabilisation afin d’envisager d’autres possibilités d’automatisation pour réaliser les efficiences opérationnelles et améliorer le service à la clientèle.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Direction examinera davantage les possibilités d’automatisation en tant que participant au projet Service Ottawa. Cet examen sera terminé d’ici la fin du quatrième trimestre de 2013.

**Recommandation 6**
Que la Direction des recettes publie un ensemble simple de normes relatives au service à la clientèle qui puisse être partagé avec le public.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Direction publie déjà certaines normes du service à la clientèle. La Direction déterminera la méthode la plus efficace de publier le reste des normes du service à la clientèle d’ici la fin du premier trimestre de 2012. Le reste des normes du service à la clientèle sera publié avant la fin du troisième trimestre de 2012.

**Recommandation 7**
Que la direction poursuive des possibilités d’automatiser le système de suivi des demandes de renseignements des clients en se basant sur d’autres systèmes d’automatisation.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Ville a poursuivi des possibilités d’automatiser le système de suivi des demandes de renseignements. L’automatisation et les logiciels nécessaires pour saisir cette activité du client ont une portée semblable à celle du système de gestion des services à la clientèle qui est en train d’être mis en œuvre grâce à l’initiative Service Ottawa. La première étape du système de gestion des services à la clientèle de Service Ottawa est prévue pour le troisième trimestre de 2011. La Direction prévoit entamer une deuxième étape. La date de publication de la
deuxième étape ne sera pas déterminée avant que la première étape soit terminée.

**Recommandation 8**

Que la Ville revoir le pouvoir délégué en ce qui concerne l’autorisation de dispenser les frais.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

La Ville revoit régulièrement le pouvoir délégué. D’ici la fin du quatrième trimestre de 2012, la Direction examinera chacun des frais en ce qui concerne l’autorisation du personnel de dispenser les frais.

**Recommandation 9**

Que la Ville réalise des efficiences opérationnelles avec la mise en œuvre de la base de données pour les PERI.

**Réponse de la direction**

La direction est d’accord avec cette recommandation.

Le projet et la migration au nouveau système seront terminés d’ici la fin du quatrième trimestre de 2012 de même que la réalisation des efficiences opérationnelles.

**Recommandation 10**

Que la Ville :

a) inclue dans la politique municipale le critère visant à traiter les demandes d’allègement fiscal pour les organismes de charité ainsi que les modifications apportées aux calculs et divulgue la politique au Conseil;

b) fournisse les détails sur les calculs des allègements fiscaux pour les organismes de charité;

c) remette au Conseil un barème des allègements fiscaux pour les organismes de charité de l’année précédente.

**Réponse de la direction**

a) La direction est d’accord avec cette recommandation. La politique a déjà été mise en œuvre. La politique sera partagée avec le Conseil d’ici la fin du quatrième trimestre de 2012.

b) La direction est d’accord avec cette recommandation. Les détails sur les calculs seront fournis aux organismes de charité avant la fin du quatrième trimestre de 2012.

**Recommandation 11**
Que la Ville mette à jour le processus d’allègements fiscaux pour les organismes de charité (politiques, procédures et pratiques) afin de s’assurer qu’ils sont versés dans le cadre des délais législatifs.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Direction a déjà mis en œuvre cette recommandation.

**Recommandation 12**
Que la Ville mette à jour le processus d’allègements fiscaux pour les organismes de charité (politiques, procédures et pratiques) afin d’inclure l’exigence de verser les intérêts comme l’exige le paragraphe 361(9) de la Loi sur les municipalités.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Direction a déjà mis en œuvre cette recommandation et a mis à jour les politiques et les procédures.

**Recommandation 13**
Que la Ville envisage la mise à jour du processus d’allègements fiscaux visant les organismes de charité (politiques, procédures et pratiques) afin d’inclure l’exigence de recalculer ces allègements lorsqu’il y a des modifications d’évaluation, afin de recouvrir les fonds redevables à la Ville et de remettre les fonds redevables aux organismes de charité conformément à la Loi sur les municipalités.

**Réponse de la direction**
La direction est d’accord avec cette recommandation.

La Direction examinera les effets des changements sur le processus d’allègements fiscaux visant les organismes de charité (politiques, procédures et pratiques) afin d’inclure l’exigence de recalculer ces allègements lorsqu’il y a modifications d’évaluation, afin de recouvrir les fonds redevables à la Ville et de remettre les fonds redevables aux organismes de charité avant la fin du quatrième trimestre de 2012.
Recommandation 14
Que chaque année la Ville examine la nécessité d’établir une allocation pour les radiations des appels en matière d’impôt foncier dans le système de comptabilité financière comme il est également recommandé par les vérificateurs externes.

Réponse de la direction
La direction est d’accord avec cette recommandation.

Il s’agit déjà d’une pratique courante. Dans le processus financier de fin d’exercice, le personnel de la Direction examine les appels en attente à la lumière de l’expérience antérieure afin de déterminer avec certitude une tendance concernant les radiations prévisibles. Étant donné la pratique commune des grands propriétaires fonciers d’en appeler chaque année de leurs évaluations, il est difficile de prévoir le résultat des appels ouverts sur plusieurs années.

Recommandation 15
Que la Ville s’assure que les références relatives aux niveaux d’autorité concernant les allègements fiscaux pour immeubles inoccupés sont correctement documentées dans le processus d’allègement fiscal pour immeubles inoccupés (politiques, procédures, pratiques) ainsi que la documentation à l’appui.

Réponse de la direction
La direction est d’accord avec cette recommandation.

La Direction terminera l’examen des politiques, des procédures, des pratiques et de la documentation à l’appui visant le processus d’allègement fiscal pour immeubles inoccupés afin d’assurer un usage compatible de la terminologie avant la fin du quatrième trimestre de 2011.

Recommandation 16
Que la Ville envisage des options d’automatiser le processus d’allègement fiscal pour immeubles inoccupés.

Réponse de la direction
La direction est d’accord avec cette recommandation.

Cela demeure une pratique courante. La Direction examinera les options d’automatisation pour le reste du processus d’allègement fiscal pour immeubles inoccupés d’ici le quatrième trimestre de 2012.

Recommandation 17
Que la Ville mette à jour le processus d’allègement fiscal pour immeubles inoccupés (politiques, procédures, pratiques) afin d’incorporer les changements de la direction dans les calculs des intérêts.
Réponse de la direction
La direction est d’accord avec cette recommandation.

La procédure « Le traitement des paiements d’intérêts et des calculs d’annulation des pénalités » a été mise à jour en juillet 2010.

Recommandation 18
Que la Ville s’assure que les dépôts CLASS aux Centres de service à la clientèle sont effectués quotidiennement et que le terminal des cartes de crédit est fermé tous les jours selon la politique et les procédures de manipulation de l’argent.

Réponse de la direction
La direction est d’accord avec cette recommandation.

Cette pratique a été mise en œuvre en novembre 2010.

Recommandation 19
Que la Ville s’assure que les dépôts dépassant le montant maximal quotidien sont traités conformément à la politique et aux procédures de manipulation de l’argent.

Réponse de la direction
La direction est d’accord avec cette recommandation.

Cela demeure la pratique courante. Les procédures de manipulation de l’argent offrent des lignes directrices sur les mesures à prendre lorsque les montants dépassent certains seuils, mais n’interdisent pas en fait de conserver un montant sur place. Toute décision concernant l’horaire doit prendre en compte le coût d’un ramassage supplémentaire ainsi que la logistique du contrat municipal avec son fournisseur de services de messagerie touchant l’argent comptant de même que les heures d’ouverture du site en question. Plus le montant se rapproche de la ligne directrice, moins il est nécessaire de faire une recommandation pour modifier l’horaire du ramassage.

Recommandation 20
Que la Ville clarifie les responsabilités pour surveiller la conformité en vertu de la politique et des procédures de manipulation de l’argent.

Réponse de la direction
La direction est d’accord avec cette recommandation.

La Ville clarifiera les responsabilités pour surveiller la conformité en vertu de la politique et des procédures de manipulation de l’argent d’ici la fin du quatrième trimestre 2012.
Recommandation 21
Que la Ville mette en œuvre un processus automatisé où le dossier de paiement de taxe d’un client d’une nuitée depuis le système de caisse enregistreuse du Centre de service à la clientèle est automatiquement téléchargé dans le système fiscal aux fins de traitement.

Réponse de la direction
La direction est d’accord avec cette recommandation.

La Direction mettra en œuvre un processus automatisé où le dossier de paiement de taxe d’un client d’une nuitée au Centre de service à la clientèle est automatiquement téléchargé dans le système fiscal aux fins de traitement avant la fin du quatrième trimestre de 2012.

Recommandation 22
Que la Ville, en matière de solution à long terme, continue de poursuivre des possibilités d’automatisation au sein de la Direction des recettes, surtout en ce qui concerne l’offre de services supplémentaires au public.

Réponse de la direction
La direction est d’accord avec cette recommandation.

La Direction a poursuivi activement des possibilités d’automatisation des services supplémentaires au public.

Conclusion
La Direction des recettes offre une grande gamme de services à de nombreux clients. Même si une bonne partie du travail sous la responsabilité de la Direction est influencée par de nombreuses exigences législatives qui évoluent régulièrement, la prestation de ces services et l’établissement des processus relèvent de la direction. Nous avons constaté que la Direction avait documenté l’établissement de schémas d’opérations de ses processus administratifs, mais que le travail n’était pas terminé.

Afin de remplir les objectifs de la présente vérification, qui consistent à fournir une évaluation de l’administration et de la gestion globales de la Direction des recettes de la Ville d’Ottawa, y compris la pertinence des systèmes de gestion, des contrôles et des pratiques, le Bureau du vérificateur général a mené un examen détaillé de vingt processus administratifs essentiels.

Les objectifs de la présente vérification consistaient à déterminer le degré avec lequel les systèmes sont intégrés et harmonisés avec les buts et les priorités de la Direction. Afin de remplir les buts et les priorités de la Direction, la Direction des recettes emploie de nombreux systèmes, dont les feuilles de calcul qui nécessitent du temps supplémentaire du personnel pour saisir les données, revoir les sous-
systèmes et faire le rapprochement entre les sous-systèmes et le système SAP, le système financier de la Ville.

Nous avons également évalué les processus afin de déceler des possibilités d’amélioration et d’efficiences. Des projets sont en cours comme les relevés de compteurs d’eau et les PERI, pour lesquels la direction a noté des efficiencies opérationnelles. Même si la Direction fonctionne généralement avec exactitude, elle doit continuer à rechercher des possibilités d’automatisation, y compris offrir des services automatisés supplémentaires au public.

En outre, la vérification a été entreprise afin d’évaluer le degré avec lequel la Direction des recettes a correctement reconnu les recettes visées par ses limites législatives et s’est assurée de la mise en place des contrôles. Nous avons constaté que la Direction des recettes respecte généralement ses exigences législatives, sauf l’exception mineure des allègements fiscaux fonciers où la direction a indiqué qu’elle prévoyait mettre en œuvre des changements afin d’aller de l’avant.

Nous avons constaté que le système fiscal foncier municipal est efficace et adéquat pour ce qui est du traitement des transactions de base telles que la production des factures d’impôt et la saisie des récépissés. Nous avons constaté que toutes les factures d’impôt foncier vérifiées étaient exactes. En général, au cours de la vérification, nous avons constaté que la direction était proactive dans la résolution de nombreuses questions soulevées dans le présent rapport.

Remerciements

Nous tenons à exprimer nos remerciements à la direction pour la collaboration et l’aide qu’elle a offertes à l’équipe de vérification.
1 INTRODUCTION

The Audit of the Revenue Branch was initially planned for 2010 but as a result of a City Council motion passed August 28, 2008, the audit was added to the audit plan for 2009 and is being reported as part of the 2010 annual report.

2 BACKGROUND

The Revenue Branch of the City of Ottawa has approximately 158 full time equivalents (FTE) representing approximately 30% of the Finance Services Department as structured in 2010. The Revenue Branch provides billing, customer service and collection services for most City services including taxation, utilities and user fees. For some departments that do their own billing and collect their own revenues as they pertain to their programs, the Revenue Branch only provides services on an as needed basis (such as collections and customer service). The Revenue Branch also supports all municipal aspects of the property assessment process including liaison with the Municipal Property Assessment Corporation (MPAC), calculating capping provisions for designated property classes and payments in lieu of taxes and related tax adjustments. As a result of realignment in 2009, Cash Operations was assigned to the Revenue Branch in order to consolidate the payment processing and point of sale support within the Revenue Branch. In 2008, the City of Ottawa’s earned revenues were approximately $2.3 billion from a combination of property taxes, user fees, fines/penalties, investments, government grants and other revenues.

The Revenue Branch manages an account base consisting of approximately 290,000 property tax accounts with a 2009 tax levy of $1.13 billion and 200,000 water and sewer accounts with annual revenues of approximately $200 million. The Customer Service and Collection Unit within the Branch performs collections activities on property tax and water accounts as well as other amounts owing to the City. According to City statistics, there are approximately 243,000 accounts managed by the Collections Unit including amounts owing for provincial offences, parking fines, overpayment recoveries and general departmental program fees. The Branch’s 2009 gross expenditures were approximately $13.8 million up from $12.1 million in 2008 partially due to the corporate realignment.

As in any municipality, revenue management is of utmost importance to providing financial sustainability for the City. Thus, ensuring that there are proper controls and processes within the Revenue Branch is paramount to the City’s success. The Revenue Branch has many clients and represents the City on a daily basis with departments, citizens and other governments on a regular basis. City Councillors and Management are also key clients of the Revenue Branch as it provides valuable information for both short and long term decision making. Consequently, client focus and customer service is very important.
The organizational chart for the Branch in 2010 is as follows:

Figure 1: 2010 Revenue Branch Organization Chart  
(Source: Position Incumbent Report)

There are three primary areas managed and administered by the Revenue Branch as follows:

2.1 **Billing and Tax Policy**
This section oversees all system functions and provides billing services for property taxation and water and sewer. This would include meter reading and the various accounting and reporting responsibilities for the Branch. Further, this section develops and implements tax policy for the City.

2.2 **Customer Service and Collections**
The Customer Service and Collections section manages and administers corporate accounts receivable as well as collections services in relation to Ontario Works overpayments, corporate accounts receivable, defaulted provincial offences fines, tax, water and crown tenant accounts in arrears. As well, the unit maintains the corporate accounts receivable master data.
Three sections within Customer Service and Collections are further described. Cash Operations processes remittances and supports point of sale systems. This includes the development, implementation and training with respect to cash handling procedures. The Remittance Processing Section is responsible for processing mail-in payments. In addition, the section is responsible for updating financial systems and tracking and monitoring financial securities. Customer accounts provides front line support to tax and water billing by responding to customer inquiries and complaints, maintaining accounts (changing ownership/name or mailing address), adjusting penalties, processing refunds, applying all payments, and administering the City’s pre-authorized payments plans.

2.3 Assessment

The Assessment Section of the Revenue Branch provides support on all municipal aspects of assessment, including tax rebates, assessment quality control, tax adjustments, capping and apportionments. In addition, the unit provides billing and collection for all payments in lieu of taxes (payments from federal, provincial or crown corporations/agencies) and crown tenants. Tax adjustments occur as a result of applications being filed under the Assessment Act or tax remission requests made to Council under the Municipal Act. The unit also issues tax and water/sewer certificates. Property assessments are undertaken by the Municipal Property Assessment Corporation (MPAC).

The Municipal Property Assessment Corporation undertakes property assessments for all properties in Ontario and issues property assessment notices every four years to property owners. It operates under the authority of the Municipal Property Assessment Corporation Act. Every municipality in Ontario is a member of the Corporation. The Corporation is governed by a Board of Directors who is appointed by the Minister of Finance. MPAC does not set assessment policy but it does administer these policies. Its main responsibility is to calculate assessment values and to classify properties according to their use, for each of the over four million properties in Ontario. These values are also provided to municipalities on an annual assessment roll. The City and the province use these values when they calculate property taxes and education taxes.

3 AUDIT OBJECTIVES

The audit was undertaken in order to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa. The audit was intended to assess the adequacy of management systems, controls and practices including those intended to control and safeguard assets.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and ensured controls are in place. The degree to which systems were integrated and aligned with Branch goals and priorities was also explored.
In addition, critical business processes were assessed to identify opportunities for improvement and efficiencies.

The audit criteria for this audit included:

1. To evaluate the degree to which the Revenue Branch complies with legislation regarding municipal revenues.
2. To evaluate the effectiveness of the current internal control framework with respect to revenues.
3. To assess the extent to which the City has maximized its revenues.
4. To assess the extent to which the City has maximized its property assessment for tax purposes.
5. To assess the extent to which the City safeguards assets.
6. To assess the degree to which revenue systems/policies/procedures and processes are aligned with strategic goals and support efficient, effective service delivery.

4 AUDIT SCOPE

The period covered in this audit was 2009 with some elements from 2010 and 2011 as identified in the report.

The scope of this audit focused on revenue management within the Revenue Branch and compliance with legislative authorities and policies as well as financial management and controls. This involved audit evidence gathered within the Revenue Branch, Financial Support Units (FSU), Client Service Centres (CSC), Planning and Growth Management, Parking and By-Law Operations, Provincial Offences and Information Technology Services (ITS). Some evidence of practices utilized by other municipalities was also gathered for comparison purposes.

5 APPROACH

The audit team utilized a combination of interviews, documentary, observation and analytical procedures in order to complete this audit. Interviews included staff within the Revenue Branch, FSU, CSC, Planning and Growth Management, Parking and By-Law Operations, Provincial Offences and ITS. Documentation review consisted of policies, procedures, processes, reports and sampling of property tax, water, accounts receivable/collection files and all related systems.
6 DETAILED FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

6.1 Overview of Revenue Branch

Revenue Branch staff use many systems to bill and collect the City’s revenue. The following flowchart (Figure 2) provides a high-level overview of some of the main revenue streams and the primary systems used.

Figure 2: High-Level Overview of Revenue Branch Streams and Systems

Payments received are recorded in the various sub-ledgers and SAP. Depending upon the revenue stream, payments result from bank transfers, mailed-in cheques, pre-authorized payments, mortgage companies and in-person at one of seven Client Service Centres and 100 Constellation.

Legend for Revenue Streams

The acronym of the key system(s)\(^1\) used by staff to undertake the applicable activity in the stream\(^2\) is detailed below:

- MPAC = Municipal Property Assessment Corporation
- OPTA = Online Property Tax (Government of Ontario)
- VTAX = Tax billing and receivable system

\(^1\) Only the primary systems used in these processes are identified in this high-level overview. There are other systems and spreadsheets in use which also support processes in these streams.

\(^2\) Only the most significant revenue streams are identified in this high-level overview. The Revenue Branch provides other revenue and expenditure streams and service lines such as other rebates (e.g. home dialysis, farm rebates) and tax certificates.
The sub-ledger system is used to generate summary reports which are used to create summary entries in SAP, the City’s financial system. The individual billing transactions for each account in property tax, payment in lieu of taxes, and water and sewer systems do not appear in SAP, only in the sub-ledger system.

The City does not record receivables for Ontario Works overpayments and defaulted provincial offences on its balance sheet or in its financial system. The revenue for these streams is recognized only when it is collected.

Various
There are multiple different systems and processes for generating the original invoice / ticket / billing. Invoices from other branches are usually issued to the client by systems controlled by these other branches.

= For the receivables from other branches, the SAP sub-ledger is used. The transactions are automatically recorded in both the sub-ledger and the general ledger.

The following flowchart (Figure 3) provides a high-level overview of some of the main expenditure streams and the primary systems used.
Legend for Expenditure Streams

- **Excel**: A spreadsheet is used to calculate the amount of the rebate for Charity Rebates and Vacancy Rebates. Manual entry is required.
- **VTAX**
- **SAP**: The financial system is updated to record the payment.

The City utilizes several systems to manage revenues and customer accounts. Payments made by clients are populated in the various systems through interfaces that ITS has designed. The remittance processing system processes all cheque payments for each revenue stream and generates files for upload for each system each day. Each one of these databases contains client information that has to be maintained including name, address and other client information. In addition to PILT and tax rebates stand alone spreadsheets are also used for tax adjustments, capping and client complaints.

As part of this audit, the OAG conducted a detailed review of 20 processes including, flowcharting some processes that have not been previously completed by Management. These detailed flowcharts appear in Appendix A. Please note that at
Management’s request, some processes, due to their sensitive nature, have been removed from the Appendix.

- Property Tax Billing - Interim
- Property Tax Billing - Final
- Property Tax Billing - Supplementary
- Water and Sewer Billing
- Collection of Ontario Works Overpayments  (Flowchart removed due to sensitive nature.)
- Collection of Corporate Accounts Receivable  (Flowchart removed due to sensitive nature.)
- Collection of Defaulted Provincial Offence Fines  (Flowchart removed due to sensitive nature.)
- Collection of Property Taxes  (Flowchart removed due to sensitive nature.)
- Collection of Water and Sewer charges  (Flowchart removed due to sensitive nature.)
- Billing & Collection of Crown Tenant accounts  (Flowchart removed due to sensitive nature.)
- Customer Telephone Inquiries
- Maintaining Customer accounts
- Adjusting penalties
- Processing refunds
- Payments in Lieu of Taxes (PILT)
- Charity rebates
- Tax adjustments
- Vacancy rebates
- Cash handling at CSC - North Gower  (Flowchart removed due to sensitive nature.)
- Cash handling at CSC - Orleans (Flowchart removed due to sensitive nature.)

The reason for these separate systems and spreadsheets relates to the fact that there are specialized requirements such as for calculation purposes and for privacy purposes. As a result of these multiple systems there are requirements for additional staff time for data entry and reconciliations.

During the course of the audit the Branch completed the flowcharting that Management considered the most important of their business processes.

Opportunities for improvements to systems or processes or other findings have been identified in each applicable section of the report.
**Recommendation 1**

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

**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.

### 6.2 Property Tax Billing

#### 6.2.1 Property tax billing processes are adequate

The Revenue Branch is responsible for the calculation and billing of taxes for all properties across the City. The corporate property tax system is effective and efficient in processing basic transactions such as producing tax bills and capturing receipts. The system has few issues with uploading information provided by MPAC and is relatively easy to use. However, as detailed in other sections, the system lacks functionality with respect to tax rebates and related interest and assessment adjustments which has led to different manual systems.

The audit team performed property tax calculations on a sample of 67 properties representing $212 million in assessment from all property classes for the 2009 tax year. The testing included verification of tax rates, assessment, assessment changes and calculation of property tax bills, interim and final and subsequent cash receipts. The audit team also performed audit testing on 60 appeal files from 2008 representing $176 million in assessment and 36 files from 2009 representing $300 million in assessment. We found all of the calculations we tested to be accurate.

The audit team also followed up an allegation from a taxpayer that City property taxes were being erroneously rounded in favour of the City. This was initiated by a complaint from a taxpayer regarding the fact that a property tax adjustment following an appeal resulted in a rounding difference of one cent. We reviewed the process followed by the Revenue Branch to calculate property taxes and adjustments and found that it was in order and properly rounded figures.

#### 6.2.2 Property tax ratio and rate setting process meets legislative requirements

The setting of tax ratios and tax rates in the City is complex. With several special area rates for various services, the rate setting process is challenging. Although this process is performed through spreadsheets, the control over the data and the reconciliation process is well executed and controlled. We found all tax ratios and policies were in compliance with the *Municipal Act* for the three years reviewed.
6.2.3 Minimum Property Tax Billing

Currently, the Branch sends out all tax bills regardless of the dollar value. With respect to minimum tax bills, section 355 of the Municipal Act authorizes a local municipality to pass a by-law that would make actual taxes payable zero if they are below a certain minimum threshold.

During 2010, the Branch sent reminder notices for any tax account balance over $1. Water accounts were only sent a reminder notice for balances over $145 due to the regular frequency of water bills. During the course of the audit, effective March 2011, the Branch will only be sending out reminder notices if the tax account balance is over $6.15. For tax account balances over $145, they are also charged a reminder notice fee of $6.15. The Branch has determined the cost of sending a reminder notice to be approximately $6.15. On an ongoing basis, the Branch should continue to monitor the cost of sending reminder notices and ensure they are not sent below the cost threshold.

Some other Ontario municipalities have passed by-laws under section 355 of the Act to write-off minimum balances. For example, the City of Toronto uses a $5 minimum.

We have analyzed the Branch’s approach and found it to be reasonable. This included analyzing the tax billing to determine the volume of bills at low dollar value thresholds compared to the direct costs at those volumes.

We would suggest that the Revenue Branch, on a regular basis, review the volumes and reasons for low dollar value tax bills and reminder notices to determine if there is a need to change the approach in the future.

**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.

**Management Response**

Management agrees with this recommendation.

This remains current practice.

6.3 Water and Sewer Billing

6.3.1 Large water credits on customer accounts due to estimates

Water and sewer bills are issued monthly or bimonthly depending upon the type of client. Residential clients receive six billings per year while high consumption users of water (i.e., mostly commercial clients) are billed monthly. The water bill includes charges for water consumed, sewer surcharges, and hydrant charges. The City bills
for water using an actual meter reading every second bill except where they are not able to obtain a reading. In those cases, they continue to use estimates. For estimated bills, the City’s water system calculates the estimated consumption based on consumption history. Actual readings are obtained by staff (meter readers). Readings are uploaded and transferred from the handheld meter reader system to the water billing system (i.e., AquaCIS). After four estimated bills, the Revenue Branch’s procedure is to review the status of the accounts and the reason why they have been unable to obtain an actual reading.

We analyzed water accounts and outstanding credits as of October 30, 2009. 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 has indicated that at the end of a rainy summer it is not surprising that water accounts are in credit as the algorithm, a practice used by all utilities, estimates billings on past consumption. The outstanding credits totalled approximately $2 million. Management has indicated that this amount is not material on a $200 million annual billing. These credits represent monies that are owing to customers, primarily due to cases where estimated water usage exceeded actual readings and also duplicate payments, overpayments and payments to previous accounts.

Management has indicated that, “When an account is in a credit balance, the credit is reflected on the water bill. In addition to direct contact with the client, there are numerous methods of client communication, which include: fourth estimate alerts on water bills, billing correspondence and several methods for clients to input readings to the Revenue Branch including a 24-hour call line (IVR), the Revenue call centre and the Corporate Call Centre. As well, there is information posted on www.ottawa.ca.”

Management has acknowledged that the current handheld meter reading process can be challenging during the winter. As such, they expend extra resources in the summer with the assistance of summer students to address the backlog of meter reads.
There is a major project underway to replace the current meter reading system. Report ACS2006-CRS-FIN-0029 was presented to Planning Committee and approved by Council in July 2006. The new solution will use a radio frequency system to collect the meter information. Management indicated the new system will dramatically change the business processes by eliminating manual meter reading and as such they expect significant operational efficiencies. The report includes the business case and planned for a four year implementation program to begin in 2007. Management indicated that the incremental cost of using automated meter reading over existing technology is $6 million and would result in annual savings of $1 million for each of the next 20 years. In addition, this change will reduce/eliminate the number of estimated bills and substantially address credit balances on account.

In our opinion, Management should continue to move forward with the automated meter reading system and to ensure that expected operational efficiencies are realized.

**Recommendation 3**
That the City realize the operating efficiencies with the implementation of the automated meter reading system.

**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.

**6.4 User Fees**

**6.4.1 Calculation of Revenue Branch Fees**
Municipal user fees are a charge to the user for a specific municipal service, activity or product, or for the use of municipal property. Management has confirmed that all fees within Revenue Branch are service fees.

Section 391 of the Municipal Act, which appears in Appendix B, provides the authority for the Municipality to implement municipal user fees and charges and the general types of costs that may be included in a fee or charge.

The municipality must ensure that its fees are based upon the cost to provide the service and should ensure that it documents the methodology so as to justify the fees if it was challenged. Documentation provided by the Revenue Branch showed that they were aware of this requirement based on a January 2007 legal opinion which indicated that “if the City charges a fee, it must be based on the administrative cost and not be for the purpose of general revenue as this would be considered an illegal "indirect tax". If the fee is challenged and it is deemed that the fee is in excess of the administrative
cost then … the City would be required to refund the fees collected to date. …the fee should be reduced to reflect the actual administrative cost and the appropriate fee by-law be amended.”

In 2007, Council adopted a Fiscal Framework (detailed in Appendix C), which includes guiding principles for the establishment of user and service fees including that: “user fees be subject to periodic study and review”, consideration to “impact of changing user fees on demand”, and “changes in user fees to be transparent”. Management has indicated that, “Service and user fees are calculated in conformance with these Council directions using actual direct and indirect costs and actual volumes. A comprehensive review of the service fees is done annually and this is compared to actual costs and volumes.”

The Revenue Branch provided us the annual fee calculations for 2007, 2008, and 2009. We found that the Branch’s methodology and rationale with respect to the fee calculation was primarily contained in spreadsheets and the source of the information to determine the costs identifying the portion relating to operating and capital costs was not fully documented and was based on budgeted amounts. The review of service fees provided by Management is based on budgeted costs for the calculation of estimated direct labour and direct costs and allocated Branch and Corporate overhead for estimated volumes of forecasted transactions. We found the fee calculations did not include a comparison of these planned costs and volumes to actual costs and actual 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 some cases, we found that the fee calculation included costs that were not attributable to the service itself. For example, the City charges a fee for the issuance of property tax and water certificates. These are requested primarily when a sale of property occurs and the owner(s) wish to determine if there are any outstanding property taxes or water charges at the time of closing of the real estate transaction.

In 2009, the property tax and water certificates fee was set at $62 (up 3.3% over 2008). This fee is set based upon staff costs and applied overhead as well as other costs such as programmer fees, corporate overhead and water and sewer administration costs. Of particular interest, is the inclusion of the cost of the Municipal Property Assessment Corporation license fees. MPAC costs were allocated at a rate of 146% of staff costs. The allocation had no supporting rationale. For tax and water certificates, this is a cost of $29.14 (49%) of the total costs. The City pays MPAC approximately $11.2 million per year (according to the 2009 Budget and the 2009 Fee Calculation spreadsheet) to perform property assessment functions for all properties in the City. MPAC charges all municipalities based upon the number of properties and in 2009, this amounts to approximately $40 per property. We believe it is inappropriate to include the MPAC licensing fee as a cost element for water related user fees. Management explained that they regularly
review the MPAC database information for water-related transactions. For example, they use the information to determine property owners and tax roll unpaid amounts. However, in our opinion including this cost to this extent would not be appropriate. Similarly, the water billing system programming costs (AquaCIS) relate to the water database and not tax, and yet costs are attached to the fee.

The Branch estimates that the costs for providing tax and water certificates is just over $830,000 per year with a volume of 14,000 certificates. The total cost per certificate was determined to be $59.29. In order to account for possible volume variances, the Branch assesses the rate based upon the middle of the range between 75% and 125% of the costs. That is, the set fee is $62 which is between $44.47 (75% x $59.29) and $74.12 (125% x $59.29). The rate is set at 5% higher than the costs in this case. The Branch set the rate of $62 in 2009 which was further increased to $64 in 2010.

A summary of the most common fees and the costs are summarized below in Figure 4 (provided by the Branch’s 2009 Fee Calculation):
### Figure 4: 2009 City of Ottawa User Fee Cost Elements and Unit Costs (from 2009 City Fee Calculation)

<table>
<thead>
<tr>
<th>FEE</th>
<th>VOLUME</th>
<th>Staff Costs</th>
<th>MPAC Licensing</th>
<th>Aquacis programmers &amp; DBA's</th>
<th>Revenue Branch Management Costs</th>
<th>Branch Overhead costs</th>
<th>Corporate Overhead costs</th>
<th>Other Costs</th>
<th>Total Per Unit Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax &amp; Water Certificate</td>
<td>14,000</td>
<td>$16.00</td>
<td>$29.14</td>
<td>$0.86</td>
<td>$3.87</td>
<td>$7.28</td>
<td>$1.72</td>
<td>$0.43</td>
<td>$59.29</td>
</tr>
<tr>
<td>Tax Ownership Change</td>
<td>23,800</td>
<td>$10.23</td>
<td>$18.62</td>
<td>$-</td>
<td>$2.47</td>
<td>$4.64</td>
<td>$1.10</td>
<td>$-</td>
<td>$37.06</td>
</tr>
<tr>
<td>Bill Reprint - Tax - Water - Accounts Receivable</td>
<td>1,500</td>
<td>$8.76</td>
<td>$15.94</td>
<td>$0.47</td>
<td>$2.12</td>
<td>$3.97</td>
<td>$0.94</td>
<td>$0.24</td>
<td>$32.44</td>
</tr>
<tr>
<td>New Account/Tax &amp; Water</td>
<td>9,000</td>
<td>$16.48</td>
<td>$29.04</td>
<td>$0.86</td>
<td>$3.33</td>
<td>$7.23</td>
<td>$1.71</td>
<td>$0.43</td>
<td>$59.09</td>
</tr>
<tr>
<td>Returned Cheques - Tax-Water-A/R-</td>
<td>4,276</td>
<td>$19.52</td>
<td>$-</td>
<td>$-</td>
<td>$4.72</td>
<td>$8.85</td>
<td>$2.10</td>
<td>$-</td>
<td>$35.19</td>
</tr>
<tr>
<td>Reminder Notices- Tax -Water</td>
<td>88,000</td>
<td>$1.71</td>
<td>$3.11</td>
<td>$0.09</td>
<td>$0.41</td>
<td>$0.78</td>
<td>$0.18</td>
<td>$0.05</td>
<td>$6.30</td>
</tr>
<tr>
<td>Bulk Maintenance and Mortgage fees</td>
<td>126,000</td>
<td>$2.01</td>
<td>$3.66</td>
<td>$-</td>
<td>$0.49</td>
<td>$0.91</td>
<td>$0.22</td>
<td>$-</td>
<td>$7.29</td>
</tr>
<tr>
<td>Water Termination Notices</td>
<td>1,100</td>
<td>$17.84</td>
<td>$-</td>
<td>$0.96</td>
<td>$4.32</td>
<td>$8.09</td>
<td>$1.92</td>
<td>$0.48</td>
<td>$33.60</td>
</tr>
<tr>
<td>Addition to roll</td>
<td>$9.34</td>
<td>$13.70</td>
<td>$0.30</td>
<td>$2.26</td>
<td>$3.41</td>
<td>$0.59</td>
<td>$0.15</td>
<td>$29.74</td>
<td></td>
</tr>
<tr>
<td>Seniors Deferral</td>
<td>$42.92</td>
<td>$62.93</td>
<td>$-</td>
<td>$10.38</td>
<td>$15.67</td>
<td>$2.72</td>
<td>$134.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seniors Deferral - Renewal</td>
<td>$15.09</td>
<td>$22.13</td>
<td>$-</td>
<td>$3.65</td>
<td>$5.11</td>
<td>$0.96</td>
<td>$47.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Sale - Preliminary Work</td>
<td>$246.10</td>
<td>$463.50</td>
<td>$-</td>
<td>$158.05</td>
<td>$115.44</td>
<td>$20.02</td>
<td>$70.02</td>
<td>$1,073.11</td>
<td></td>
</tr>
<tr>
<td>Tax Sale - Final Notice</td>
<td>$28.89</td>
<td>$159.37</td>
<td>$-</td>
<td>$54.35</td>
<td>$39.66</td>
<td>$6.88</td>
<td>$80.02</td>
<td>$368.96</td>
<td></td>
</tr>
<tr>
<td>Tax Sale - Extension Agreement</td>
<td>$156.06</td>
<td>$228.63</td>
<td>$-</td>
<td>$78.03</td>
<td>$56.98</td>
<td>$9.88</td>
<td>$529.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tender Opening - Expenses</td>
<td>$242.11</td>
<td>$355.01</td>
<td>$-</td>
<td>$58.58</td>
<td>$88.42</td>
<td>$15.33</td>
<td>$759.44</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tender Opening - Mailing</td>
<td>$64.68</td>
<td>$118.30</td>
<td>$-</td>
<td>$40.34</td>
<td>$29.48</td>
<td>$5.11</td>
<td>$16.03</td>
<td>$273.90</td>
<td></td>
</tr>
<tr>
<td>Tender Opening - Registration</td>
<td>$39.59</td>
<td>$160.69</td>
<td>$-</td>
<td>$54.80</td>
<td>$40.02</td>
<td>$6.94</td>
<td>$70.04</td>
<td>$372.04</td>
<td></td>
</tr>
<tr>
<td>Tax Sale - Distribution of Sale</td>
<td>$100.49</td>
<td>$147.29</td>
<td>$-</td>
<td>$50.23</td>
<td>$36.68</td>
<td>$6.36</td>
<td>$341.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Sale - Tender Package</td>
<td>$17.26</td>
<td>$25.29</td>
<td>$-</td>
<td>$4.17</td>
<td>$6.30</td>
<td>$1.09</td>
<td>$54.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable- Collection Handling Fee</td>
<td>16,470</td>
<td>$13.78</td>
<td>$-</td>
<td>$3.33</td>
<td>$6.25</td>
<td>$1.48</td>
<td>$24.84</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: All rounding of figures as per original study.
In our review of the most common fees, we also found that the determination of the fee appeared arbitrary above or below the range determined by the budgeted costs. In some cases, the fee was set at the low end of the range and in other situations the fee was set at the high end of the range. As shown in Figure 5, there were two example fees that were not within the range of 75% or 125% of cost. Further, in some cases, the volume of transactions against total operating costs from the previous year was analyzed in order to validate the fee and in other cases volume was not considered.

For those fees where volume was considered, we found an example (i.e., New Accounts-Water) where there were differences between the budgeted volumes used to calculate the fees in the 2009 Fees Study and the budgeted volumes used in the 2009 Budget. As these would have been done at approximately the same time, there would have been an expectation that these volume levels would not differ substantially. Although the total actual revenue for these fees was lower than the budgeted revenue, the actual revenue recovered was in fact higher than the revenues in the 2009 fee study. We recognize that this does not include the impact of different levels of variable or allocated costs as a result of different volumes. During the course of this audit, as part of the April 2011 work that Management has done compiling actual costs and volumes for 2009, Management has indicated that they have found additional costs of $1.1 million and volumes of 19,810 that were never part of the original calculation relating to new water account sequence numbers. Finding these costs demonstrates the importance of going back and checking the actuals to ensure the fees were properly supported.
<table>
<thead>
<tr>
<th>FEE NAME</th>
<th>VOLUME</th>
<th>Total Per Unit Costs</th>
<th>Low Range 75%</th>
<th>High Range 125%</th>
<th>2009 Fee</th>
<th>$ Difference between Fee and Per Unit Cost</th>
<th>Percentage Difference</th>
<th>Within Range (Y/N)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax &amp; Water Certificate</td>
<td>14,000</td>
<td>$ 59.29</td>
<td>$ 44.47</td>
<td>$ 74.12</td>
<td>$ 62.00</td>
<td>$ 2.71</td>
<td>4.6%</td>
<td>Y</td>
</tr>
<tr>
<td>Tax Ownership Change</td>
<td>23,800</td>
<td>$ 37.06</td>
<td>$ 27.79</td>
<td>$ 46.32</td>
<td>$ 38.00</td>
<td>$ 0.94</td>
<td>2.6%</td>
<td>Y</td>
</tr>
<tr>
<td>Bill Reprint - Tax - Water -Accounts Receivable</td>
<td>1,500</td>
<td>$ 32.44</td>
<td>$ 24.33</td>
<td>$ 40.55</td>
<td>$ 31.00</td>
<td>-$ 1.44</td>
<td>-4.4%</td>
<td>Y</td>
</tr>
<tr>
<td>New Account/Tax &amp; Water</td>
<td>9,000</td>
<td>$ 59.09</td>
<td>$ 44.32</td>
<td>$ 73.86</td>
<td>$ 62.00</td>
<td>$ 2.91</td>
<td>4.9%</td>
<td>Y</td>
</tr>
<tr>
<td>Returned Cheques -Tax-Water-A/R-POA</td>
<td>4,276</td>
<td>$ 35.19</td>
<td>$ 26.39</td>
<td>$ 46.32</td>
<td>$ 38.00</td>
<td>$ 2.81</td>
<td>8.0%</td>
<td>Y</td>
</tr>
<tr>
<td>Reminder Notices- Tax-Water</td>
<td>88,000</td>
<td>$ 6.33</td>
<td>$ 4.75</td>
<td>$ 7.92</td>
<td>$ 6.00</td>
<td>-$ 0.33</td>
<td>-5.3%</td>
<td>Y</td>
</tr>
<tr>
<td>Bulk Maintenance and Mortgage fees</td>
<td>126,000</td>
<td>$ 7.29</td>
<td>$ 5.46</td>
<td>$ 9.11</td>
<td>$ 6.70</td>
<td>$ 0.59</td>
<td>-8.0%</td>
<td>Y</td>
</tr>
<tr>
<td>Water Termination Notices</td>
<td>1,100</td>
<td>$ 33.60</td>
<td>$ 25.20</td>
<td>$ 42.00</td>
<td>$ 31.00</td>
<td>$ 2.60</td>
<td>-7.7%</td>
<td>Y</td>
</tr>
<tr>
<td>Addition to roll</td>
<td>$ 29.74</td>
<td>$ 22.31</td>
<td>$ 37.18</td>
<td>$ 31.00</td>
<td>$ 1.26</td>
<td>$ 4.2%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Seniors Deferral</td>
<td>$ 134.63</td>
<td>$ 100.97</td>
<td>$ 168.29</td>
<td>$ 108.00</td>
<td>$ 26.63</td>
<td>$ 19.8%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Seniors Deferral - Renewal</td>
<td>$ 47.33</td>
<td>$ 35.50</td>
<td>$ 59.17</td>
<td>$ 36.00</td>
<td>$ 11.33</td>
<td>$ 23.9%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tax Sale - Preliminary Work</td>
<td>$ 1,073.11</td>
<td>$ 804.83</td>
<td>$ 1,341.39</td>
<td>$ 1,194.00</td>
<td>$ 120.89</td>
<td>11.3%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tax Sale - Final Notice</td>
<td>$ 368.99</td>
<td>$ 276.74</td>
<td>$ 461.23</td>
<td>$ 360.00</td>
<td>$ 8.99</td>
<td>$ 2.4%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tax Sale - Extension Agreement</td>
<td>$ 529.80</td>
<td>$ 397.35</td>
<td>662.25</td>
<td>$ 721.00</td>
<td>$ 191.20</td>
<td>$ 36.1%</td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>Tender Opening - Expenses</td>
<td>$ 759.44</td>
<td>$ 569.58</td>
<td>$ 949.31</td>
<td>$ 721.00</td>
<td>$ 38.44</td>
<td>$ 5.1%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tender Opening - Mailing</td>
<td>$ 273.90</td>
<td>$ 205.42</td>
<td>$ 342.37</td>
<td>$ 251.00</td>
<td>$ 22.90</td>
<td>$ 8.4%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tender Opening - Registration</td>
<td>$ 372.04</td>
<td>$ 279.03</td>
<td>$ 465.05</td>
<td>$ 360.00</td>
<td>$ 12.04</td>
<td>$ 3.2%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tax Sale - Distribution of Sale</td>
<td>$ 341.01</td>
<td>$ 255.76</td>
<td>$ 426.26</td>
<td>$ 360.00</td>
<td>$ 18.99</td>
<td>$ 5.6%</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>Tax Sale - Tender Package</td>
<td>$ 54.11</td>
<td>$ 40.58</td>
<td>$ 67.64</td>
<td>$ 35.00</td>
<td>$ 19.11</td>
<td>$ 35.3%</td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>Accounts Receivable- Collection Handling Fee</td>
<td>16,470</td>
<td>$ 24.84</td>
<td>$ 18.63</td>
<td>$ 31.05</td>
<td>$ 31.00</td>
<td>$ 6.16</td>
<td>24.8%</td>
<td>Y</td>
</tr>
</tbody>
</table>
It is not possible for us, from the reporting available from the City’s financial system, to determine the extent that expenses directly or indirectly relate to providing the services for which fees are charged. Therefore, the analysis from the Revenue Branch based on actual costs and volumes would be important in order to justify that fees were properly set and charged. March 28, 2011, Management indicated that they plan to do a comparison to actuals for 2010.

Revenue Branch service 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.

In our opinion, the Revenue Branch should confirm that fees charged were appropriate based on actual costs and volumes.

6.4.2 Revenue Branch Service Fees Methodology not disclosed

The fees are reviewed annually and are presented to Council as part of the budget process and followed with a fee by-law. As part of the budget process, Council may request a rationalization for the determination of the fee. Management indicated that if and when requests are made, the Branch provides a general statement that the fees are set based upon cost and that increases are due to cost increases. Council has not been provided with the details of the costing.

Although in general we found that fees are developed based upon cost recovery principles, the methodology used is not disclosed to Council as is required by both the City of Ottawa’s Fiscal Framework – User Fees - 2007 (Appendix C) and City of Ottawa’s Accountability and Transparency Policy – Effective November 28, 2007 (Appendix D).

In our opinion, the fee calculation methodology should be disclosed to Council.

6.4.3 Revenue Branch Comparison to Other Municipalities

As stated before, the Municipal Act allows for user fees to be charged for municipal services provided that fees be set and justified based upon the cost for providing the service. The City developed its range of user fees over time which now includes most basic services within the Revenue Branch.

Management has indicated that fees are also compared to equivalent service and user fees in other municipalities as part of their annual study.

In 2007 and 2009, 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. Figure 6 below shows the results of the study that the Branch undertook in 2009 and the municipalities included which show the City of Ottawa is higher than other municipalities for 4 out of 13 (31%) fees compared.
Figure 6: 2009 City of Ottawa User Fee Survey

<table>
<thead>
<tr>
<th>TAX</th>
<th>City of Ottawa</th>
<th>City of Brantford</th>
<th>City of London</th>
<th>City of Greater Sudbury</th>
<th>City of Windsor</th>
<th>City of Hamilton</th>
<th>City of Toronto</th>
</tr>
</thead>
<tbody>
<tr>
<td>New account fee</td>
<td>$62.00</td>
<td>$50.00</td>
<td>$57.00</td>
<td>$0.00</td>
<td>$30.00</td>
<td>$15.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>Change of name/ownership</td>
<td>$38.00</td>
<td>$25.00</td>
<td>$38.00</td>
<td>$0.00</td>
<td>$50.00</td>
<td>$11.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Returned cheque</td>
<td>$38.00</td>
<td>$40.00</td>
<td>$38.00</td>
<td>$37.00</td>
<td>$40.00</td>
<td>$28.00</td>
<td>$35.00</td>
</tr>
<tr>
<td>Tax certificate</td>
<td>$62.00</td>
<td>$50.00</td>
<td>$47.00</td>
<td>$80.00</td>
<td>$75.00</td>
<td>$52.00</td>
<td>$65.00</td>
</tr>
<tr>
<td>Reminder fee</td>
<td>$6.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$2.50</td>
<td>$16.00</td>
</tr>
<tr>
<td>Addition to the roll fee</td>
<td>$31.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$45.00</td>
<td>$28.00</td>
<td>$35.00</td>
</tr>
<tr>
<td>Duplicate/Revenue Canada receipt</td>
<td>$31.00</td>
<td>$10.00</td>
<td>$17.50</td>
<td>$0.00</td>
<td>$15.00</td>
<td>$22.00</td>
<td>$5.00</td>
</tr>
</tbody>
</table>

The audit team undertook a similar study for 2010 in order to ascertain if other municipalities had added or changed their fees. Since fee setting is undertaken annually, we wanted to ensure that any new fees charged by municipalities were included in the comparisons.

Figures 7 and 8 below provide a comparison of selected 2010 user fees for 12 municipalities across Ontario. We gathered this information primarily by reviewing the municipalities’ fee by-laws and websites. Although fees for municipalities are not directly comparable due to the complexities and uniqueness of each municipality, all Ontario municipalities are required to set fees based upon costs associated with providing the service. Figures 7 and 8 below show some of the water administrative user fees and tax related user fees respectively. The absence of a fee may be that the service is not provided or that the service is provided without a fee. Management has indicated that, “the decision to charge a particular service and user fee in any municipality is unique to the circumstances of that municipality”. As shown in Figures 7 and 8 below, the City’s user fees are the highest in 9 out of 17 (53%) fees studied. For each of the user fees, the highest fee is highlighted.
### Figure 7: 2010 Water User Fees by Municipality

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Water Certificates</th>
<th>Water Reminder Notices</th>
<th>Water New Account Fee</th>
<th>Shut Off Notice Delivery</th>
<th>Account History</th>
<th>Return Cheque Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ottawa</td>
<td>64.00</td>
<td>6.15</td>
<td>64.00</td>
<td>32.00</td>
<td>32.00</td>
<td>39.00</td>
</tr>
<tr>
<td>Brantford</td>
<td>0.00</td>
<td>0.00</td>
<td>30.00</td>
<td>0.00</td>
<td>0.00</td>
<td>40.00</td>
</tr>
<tr>
<td>London</td>
<td>50.00</td>
<td>0.00</td>
<td>30.00</td>
<td>0.00</td>
<td>0.00</td>
<td>47.77</td>
</tr>
<tr>
<td>Sudbury</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>33.00</td>
<td>0.00</td>
<td>38.00</td>
</tr>
<tr>
<td>Toronto</td>
<td>25.00</td>
<td>0.00</td>
<td>60.00</td>
<td>0.00</td>
<td>16.00</td>
<td>35.00</td>
</tr>
<tr>
<td>Barrie</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>34.65</td>
</tr>
<tr>
<td>Kingston</td>
<td>0.00</td>
<td>0.00</td>
<td>25.00</td>
<td>0.00</td>
<td>0.00</td>
<td>28.50</td>
</tr>
<tr>
<td>Oshawa</td>
<td>0.00</td>
<td>0.00</td>
<td>30.00</td>
<td>0.00</td>
<td>0.00</td>
<td>30.00</td>
</tr>
<tr>
<td>Thunder Bay</td>
<td>10.00</td>
<td>0.00</td>
<td>25.00</td>
<td>0.00</td>
<td>10.00</td>
<td>25.00</td>
</tr>
<tr>
<td>Richmond Hill</td>
<td>0.00</td>
<td><strong>30.00</strong></td>
<td>35.00</td>
<td>0.00</td>
<td>0.00</td>
<td>35.00</td>
</tr>
<tr>
<td>Markham</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32.00</td>
</tr>
<tr>
<td>Newmarket</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>40.00</td>
</tr>
</tbody>
</table>

### Figure 8: 2010 Tax User Fees by Municipality

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Tax Deferral Program</th>
<th>Large Account fee (per billing)</th>
<th>Tax Change of Name Fee</th>
<th>Tax New Account Fee</th>
<th>Tax Certificate</th>
<th>Amrani List Search (mortgage companies)</th>
<th>Tax Reminder Notice Fee</th>
<th>Duplicate Statement/Invoice/Bill</th>
<th>Return Cheque Fee</th>
<th>Additions to Tax Roll</th>
<th>Renewal, Tax Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ottawa</td>
<td>111.00</td>
<td>6.90</td>
<td>39.00</td>
<td>64.00</td>
<td>64.00</td>
<td>32.00</td>
<td>6.15</td>
<td>32.00</td>
<td>39.00</td>
<td>32.00</td>
<td>37.00</td>
</tr>
<tr>
<td>Brantford</td>
<td>0.00</td>
<td>0.00</td>
<td>25.00</td>
<td>50.00</td>
<td>50.00</td>
<td>0.00</td>
<td>0.00</td>
<td>10.00</td>
<td>40.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>London</td>
<td>0.00</td>
<td>0.00</td>
<td>37.00</td>
<td>58.00</td>
<td>48.00</td>
<td>100.00</td>
<td>5.00</td>
<td>17.50</td>
<td>39.00</td>
<td>39.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Sudbury</td>
<td>0.00</td>
<td>0.00</td>
<td>82.00</td>
<td>50.00</td>
<td>0.00</td>
<td>9.50</td>
<td>38.00</td>
<td>50.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Toronto</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>62.75</td>
<td>0.00</td>
<td>0.00</td>
<td>10.80</td>
<td>34.65</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Barrie</td>
<td>0.00</td>
<td>0.00</td>
<td>25.00</td>
<td>50.00</td>
<td>45.75</td>
<td>60.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Kingston</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>40.00</td>
<td>40.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Oshawa</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Thunder Bay</td>
<td>0.00</td>
<td>0.00</td>
<td>25.00</td>
<td>50.00</td>
<td>0.00</td>
<td>5.00</td>
<td>5.00</td>
<td>10.00</td>
<td>25.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Richmond Hill</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>65.00</td>
<td>70.00</td>
<td>0.00</td>
<td>0.00</td>
<td>35.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Markham</td>
<td>0.00</td>
<td>0.00</td>
<td>26.90</td>
<td>62.00</td>
<td>53.70</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Newmarket</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>70.00</td>
<td>0.00</td>
<td>0.00</td>
<td>30.00</td>
<td>40.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Notes:**
- **Duplicate Statement/Invoice/Bill**
  - London has 2 fees; tax statement with transactions ($17.50), without transactions ($26.00)
  - Toronto has 2 fees; current year tax receipt ($50), prior year tax receipt ($16.00)
  - Thunder Bay has 2 fees; tax statement prior years 1974 and later ($10.00), tax statement 1973 and earlier ($15.00)
- **Tax Certificate**
  - Markham has 2 fees; tax certificate mailed ($53.70), expedited ($67.10)
Management has indicated that, “Comparing the City of Ottawa service and user fees to those in other municipalities without understanding the criteria or assumptions used in their determination is of little value. Council has directed City staff to target 100% cost recovery for service fees. Other municipalities may have decided not to charge the full cost of service and user fees and instead to subsidize these services from taxation. In other cases some municipalities have low volumes of particular activities so charging a fee is not cost efficient. Every municipality’s financial situation will determine how aggressive they are with respect to user fees and service charges. Municipalities with a high rate of growth or those with additional revenue sources (such as the City of Toronto land transfer tax) may decide that they don’t want to target user fees and service charges in order to reduce the pressure on taxation.”

We noted that in November 2009 the City of Toronto provided a detailed report to their Committee and Council for approval of new and increased user fees for property tax, utility and parking ticket accounts. The report included detailed explanations and comparative information from other municipalities.

In our opinion, this comparative information serves to supplement the municipality’s own costing data and may reinforce the appropriateness of the fee and should be provided to Council before they approve the fees.

**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.

**Management Response**
Management agrees with this recommendation.

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

**6.4.4 Opportunities for Additional On-line Services**
The audit team reviewed the on-line service being offered by other Ontario municipalities and compared them to those offered by the Revenue Branch. We have found there were several services currently offered online by the Revenue branches of other municipalities that are not offered by the City of Ottawa. For example, the City of Mississauga provides a tax self-service portal where property taxpayers can register for a secure login with a Personal Identification Number (PIN), similar to bank machines. With this PIN they can perform a range of services

3 [http://www.mississauga.ca/portal/service/taxselfservice](http://www.mississauga.ca/portal/service/taxselfservice)
that are currently undertaken manually in the City of Ottawa. Some of these services attract a fee such as production of tax certificates while others do not. For example, address changes do not attract a fee. In the case of tax certificates, the Mississauga taxpayer can purchase online (with payment options such as credit cards) for $50 and receive the certificate via download following an overnight processing. If the taxpayer wishes to have a mailed version of the certificate, the fee is $75. The City of Ottawa’s fee for tax certificates is $64.

The response in Mississauga is almost instant (next morning) without leaving their home and the taxpayer performs all of the data entry required to obtain their certificate. The three-day turnaround service standard identified by the City of Ottawa on the website based upon the paper process is not as efficient or effective for the customer. Although initial set up for these online services requires an investment, over the long term, we believe that providing such services online significantly reduces the cost of services in time, mailing and handling costs and can increase client satisfaction by delivering immediate service 24 hours a day, seven days a week. Similar findings can be made with respect to services such as bill reprints, reminder notices, purchase of tax receipts, changing ownership, name, address and mortgage information.

We understand that the Revenue Branch is currently involved with the City’s initiative with respect to offering on-line services. We also understand that 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. The business problem identified that the manual updating of the tax system has caused unnecessary time and effort to be spent on processing forms. Automating the process would have allowed staff to direct their efforts elsewhere. Management has indicated that this project was officially cancelled by ITS in 2011 and although it has been identified through the Service Ottawa initiative as an efficiency, it is too early to be included in projects such as Client Service Management.

In our opinion, in view of the City’s commitment to providing on-line services to the population of the City of Ottawa, Management should consider reviving this project and developing the business case to consider other automation opportunities in order to realize annual operational efficiencies and improve client service.

**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.
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.

6.5 Collection Activities
The Customer Accounts and Collections section of the Revenue Branch is responsible for collecting property taxes, water, provincial offences, Ontario Works overpayments and general accounts receivable. Separate and distinct systems are utilized to track customer accounts as detailed in Section 6.1.

The outstanding balances for these accounts as at December 31, 2009 appear in Figure 9.

<table>
<thead>
<tr>
<th></th>
<th>Outstanding Balances as at Dec 31, 2009 (in $Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>$70</td>
</tr>
<tr>
<td>Water and Sewer (arrears portion)</td>
<td>3</td>
</tr>
<tr>
<td>Defaulted Provincial Offences</td>
<td>53*</td>
</tr>
<tr>
<td>Ontario Works Overpayments – Active Collection</td>
<td>25*</td>
</tr>
<tr>
<td>Ontario Works Overpayments – Inactive Collection</td>
<td>35*</td>
</tr>
<tr>
<td>General Accounts Receivable</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>$211</td>
</tr>
</tbody>
</table>

* Outstanding balances not reflected in City’s Financial Accounting System or Balance Sheet.

According to Ontario Municipal Benchmarking Initiative (OMBI) measures as reported by the City, Figure 10 illustrates that the City’s tax receivables are declining as a percentage of the total tax levy and that this compares favourably to other municipalities. The horizontal line in the figure relates to the median for 2008 for the municipalities represented. This benchmark relates to current taxes receivable and does not address the issue of aging of accounts and the challenges that old collections create.
For aging accounts, the tax billing and collection processes provide customers whose accounts are overdue with overdue notices at multiple times during the year. The Municipal Act allows for tax sales in order to recoup taxes and accrued penalties and interest owing to the municipality in the third year following that in which the real property taxes become owing.

No such tax provision exists for other municipal services, such as water, parking, user fees, provincial offences, and accounts receivable. Some of these outstanding fees can be added to the tax bill. However, not all amounts owing can be collected this way. Therefore, the City must rely on its collection activities to recover these funds.

For Defaulted Provincial Offences (POA) and Ontario Works Overpayments, Management has provided the audit team with separate aged reports of the amounts outstanding, however the outstanding amounts are not reflected in SAP, the City’s financial system. Management has indicated that they are less secure (no certainty of collection) revenues, and as such POA and Ontario Works Overpayments are recognized upon receipt of payment. Based on the aged listing provided by Management which showed a receivables balance as at December 31, 2009 in the amount of approximately $53 million, Defaulted Provincial Offences revenue (collections) for 2009 totalled approximately $14 million of which the City recognized and retained approximately $10 million. Provisions added to the Municipal Act in 2010 in order to add provincial offences to the property tax roll may provide some additional tools for the City to collect old receivables.

Ontario Works overpayments are payments that were made to recipients by the Ontario Employment and Financial Assistance Branch where the recipient was subsequently determined to be ineligible. These overpayments are very difficult

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4County of Brant, City of Hamilton, City of London, City of Ottawa, City of Greater Sudbury, City of Thunder Bay, City of Toronto, City of Windsor
to collect by their nature. Management indicated that approximately $1.6 million would be collected each year of which 20% is retained by the municipality and 80% would be repaid to the Province.

The outstanding balance for general accounts receivable is reflected in SAP and consists of invoices, or billings issued to the client that are generated from multiple systems and processes which are controlled by other branches. Management indicated that for 2009, the total of this type of billings was $240 million which the Revenue Branch has no control over as City departments choose whom to do business with and for what reason. For example, when someone causes damage to City property, they are invoiced to recover the costs for the damage. Figure 9 shows $25 million, of which almost $4 million (16%) in receivables were over 120 days old and of this $2.6 million (11%) were over a year old. This amount represents risk in that as accounts age, the likelihood of collection decreases and the likelihood to write the amount off as a bad debt increases. This trend was illustrated in the OMBI 2009 Performance Benchmarking Report which shows the City has increased the percentage of billed revenue written off as a bad debt from 0.1% in 2007 and 2008 to 1.0% in 2009. Where the City was comparable to other municipalities in 2007 and 2008 for this performance measure, in 2009 the City was higher than the median of 0.3%.

We understand that the Branch has added collectors to its staff complement over the past two years and thus it would be expected that the results will be realized.

The City has a process to refer cases to a collection agency. The City needs to continue with strong collection mechanisms; otherwise the City has a potential risk that revenues will be uncollectible.

6.6 Tax and Water Inquiries

6.6.1 Consider publishing service standard to Public and Council

Management indicated that approximately 140,000 calls per year come in to the tax and water inquiry line.

We reviewed the process for call answering through the Automatic Call Distribution (ACD) system and found it to be reasonable.

Management has indicated that more than 98% of calls are answered within 70 seconds and the service standard is 95% within 70 seconds. This standard is identified in the Customer Accounts Unit – About Customer Accounts Responses to Inquiries and Complaints - Policy which is an internal branch policy. However, this standard is not published to the public or to Council.

In our opinion, management should publish the service standard to the public and Council.
Recommendation 6
That the Revenue Branch publish a simple set of client service standards that can be shared with the public.

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.

6.6.2 Communications with customers regarding their accounts may not always be tracked within corporate systems

The Automated Call Distribution system receives and distributes calls on a first in, first out basis based on the language chosen by the caller and assigns the call to the next available agent. Agents use various software (such as AquaCIS, VTAX, MAPP) to attempt to resolve the customer’s issue after first addressing Municipal Freedom of Information & Protection of Privacy (MFIPPA) requirements for privacy and obtaining and entering contact numbers into databases.

The Branch only tracks the calls and communications that get elevated to another staff or department. There is no tracking of subject matter for calls taken that are resolved immediately.

If there are any notes to be written into AquaCIS or VTAX to document the call, procedures call for the agent to record it during their work timer set up on the ACD.

Issues relating to the Call Sheet process are addressed in the next section.

6.6.3 Call Sheet Process

As indicated previously, if the agent cannot resolve the client’s issue, they write up a paper form “Call Sheet” and place it to the side. When they have finished writing up the details, they indicate in ACD that they are available again. Management has indicated that there could be an estimated 5,000 customer inquiries per year that cannot be resolved immediately as they are more complex or take some additional time.

A designated staff member collects all of the Call Sheets from the agents, reads them, logs them and distributes them to the subject matter experts to be resolved. All Call Sheets are tracked by area distributed to and the time to close. The service standard is to get back to the caller in 48 hours (72 hours during peak periods).
The subject matter expert reviews and analyzes the issue and then contacts and discusses and resolves the issue with the client. When they are finished, they update the Call Sheet and the account in the applicable system (VTAX and / or AquaCIS) with the actions taken and return the Call Sheet to the designated staff member.

The designated staff member updates the log as the Call Sheets, which are filed by day, are completed and returned. They prepare a monthly summary for Management on the Call Sheets processed and outstanding. Performance reporting is completed on the number of Call Sheets, by issue and area of responsibility and the time to closure. Management reviews these stats and reports to other sections as necessary.

The Branch approved a business case to automate this “Client Inquiry Tracking – Revenue” process 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 tracking. An extract from the business case states that, “Using Excel to track inquiries presents several difficulties:

- Lack of validation functions means entries are prone to omissions;
- Sharing amongst staff while maintaining data integrity;
- Security of Information;
- Searching past records;
- Reporting and managing progress of inquiries;
- Record Keeping: paper copies of call sheets require filing and prove difficult to consider for reporting purposes. There is also a problem associated with misplaced call sheets.

An inquiry may also need to be assigned to other groups outside of the Revenue Division, such as Utility Services. Lack of workflow makes tracking of inquiries difficult and time consuming.”

Management initially indicated to us that the project was delayed because the proposed system has to be modified because of privacy and reporting requirements and the availability of ITS resources. Management subsequently indicated that since having the project placed on hold in late 2009, they have pursued off the shelf external providers; however, they found the costs to be extremely high (i.e., a $50,000 annual licensing fee for 70 users). The business case has not been updated with this new information.

As identified in the original business case, in addition to estimated savings of staff time for compiling daily, weekly and monthly information, there would also be the improved tracking of Call Sheets.
Management indicated that the “Customer Accounts Unit – About Customer Accounts Responses to Inquiries and Complaints” policy was updated in October 2010 to include the fact that calls were being recorded. We understand recording of telephone calls was still being piloted. Management should consider recorded calls for evaluation purposes.

In our opinion, Management should pursue opportunities to automate this process to the extent possible with respect to work flow and links into ACD, AquaCIS and VTAX.

**Recommendation 7**
That Management pursue opportunities to automate the client inquiry tracking system based on alternative automation systems.

**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.

### 6.7 Adjusting Penalties

#### 6.7.1 Sources of Adjustments
There are three main sources of adjustments to penalties: tax payments mailed before the due date, water payments posted to closed accounts and contact from clients.

For tax payments postmarked before the due date but received by the City after the due date, the penalty is reversed automatically within the tax system when applying the payment.

For water payments this occurs where the customer makes their payment to an old or invalid water account. Usually this is an electronic payment made through their bank to their old water account after they have moved and have forgotten to update their electronic banking records. Revenue Branch staff research this matter and then usually enter an adjustment to move the payment to the proper account in the water system. This creates an adjustment to offset any interest charges that were charged to the new account due to the payment not being recorded on time and charges the new account with the $31 payment distribution fee. Management indicated there are approximately 5,400 of these transactions per year.
The third source of adjustments is based on contact from clients, usually by telephone. The staff member listens to the customer's request for adjustment and investigates. If the request meets the criteria, an adjustment would be made. The fees that can be reversed and rationale are listed in Appendix A to the “PROCESSING PAYMENT DISTRIBUTIONS, PENALTY/INTEREST AND USER FEE ADJUSTMENTS” procedure which is an internal procedure. Management has indicated that the application of penalty is clearly identified through Council by-law and communicated through billing inserts on each bill and on Ottawa.ca. Management also indicated that inquiries regarding penalty or interest adjustments are informed that an error must have been made by the City in order to adjust the charges as there is no discretion in the by-law. This matter is further discussed in the next section.

6.7.2 Discretion for Revenue Branch to Waive Fees

During the course of the audit the OAG sent an invitation to Councillors to obtain their input regarding the Audit of the Revenue Branch. Some Councillor’s raised concerns regarding the Revenue Branch not having discretion to waive penalties. In some cases, Councillors have even paid the interest charges on behalf of constituents out of their office budget where they felt that interest should not have been charged.

Revenue Branch staff do not have discretion to adjust penalties and interest charges or other service fees. The Branch supports this approach as it provides for equal treatment to all ratepayers. 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.

In our opinion, City staff should provide a report outlining the matter to determine cases (such as death or serious illness) where Committee and Council may wish to provide discretion. Committee and Council could then pass a resolution with the conditions where adjusting penalties and interest or other fees would be permitted.

Recommendation 8

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

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.
6.8 Payments in Lieu of Taxes

Payments in lieu of taxes (PILT) representing approximately $170 million are administered under federal and provincial legislation which allows for different treatment of public properties (such as embassies, federal buildings, universities, hospitals, etc.) with respect to taxation. Currently, the Branch creates a spreadsheet for each of the 24 applicable organizations representing approximately 1,800 roll numbers including a listing for each property.

For example, the Government of Canada is exempt from paying any taxes levied by local and provincial levels of government of which property taxes are an example. However, the Government of Canada does make payments in lieu of property taxes to local governments. These properties are unique in that the amount of payments in lieu of taxes is determined by the “payor”, in this case, the federal government. As indicated above, the payments are calculated based upon the principle of equivalency. Initially, the municipality performs the calculation similar to a taxpayer that is, based upon current value assessment, applicable tax rates and capping. However, in the case of the federal government, the payments are calculated by Public Works and Government Services Canada (PWGSC) based upon the values that it believes to be equivalent to the amount it would pay by a taxable owner. If the municipality disagrees with this amount, it may request a review by the non-binding Dispute Advisory Panel which is made up of representatives from across the country.

Management has indicated that PILT cannot use VTAX or SAP because those systems cannot accommodate complex modelling and calculations. Also, they only produce individual tax bills for clients and cannot produce “single invoice billing” for issuance to PILT accounts, as required by legislation. The spreadsheet is formatted differently than a regular tax bill. Management indicated that the legislation requires an invoice (not a tax bill) to be issued for the PILT billing. The spreadsheet process is a manual process that is inherently subject to a greater risk of error and as a result requires additional checking for accuracy. Management indicated that they recognize the limitations of using spreadsheets in this type of application, and have actively been consulting with ITS over the last few years for a solution. ITS, in conjunction with Revenue Branch, started developing last year, a PILT application program with the objective of minimizing risks and improving efficiencies.

The Concept Value Case (provided by Revenue Branch and accepted by ITS) was originally approved in 2007 to replace the current spreadsheet system and states “the use of the current spreadsheet is vulnerable to (data) corruption and errors and cannot be relied upon as a feasible solution for PILT. An automated billing system capable of performing complex calculations for PILT staff that can easily manage PILT accounts is

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5 Issuance of one invoice per corporation.
Modeling and planning is also needed to support the overall activities. A spreadsheet cannot be effectively used to generate the necessary information for calculations and meet the clients' business requirements. With the implementation of a new system, the client will be able to manage its PILT accounts more effectively; generate revenues more quickly by increasing interest revenues and provide administrative savings.”

This project was estimated to cost $100,000 at the time and was identified in the 2008 budget. Administrative savings were not quantified in the business case. Management indicated that they expect to realize some staff efficiencies when the database solution is operational and which they plan to redeploy to other PILT activities. For example, they indicated that they could redeploy the same staff resources to other PILT activities such as the protection of current levels of PILT revenue and the possibility of additional PILT revenue as they have specialized knowledge. As of March 2011, this project was not completed and the projected completion date is May 2011.

In our opinion, Management should realize operating efficiencies from the implementation of the PILT database.

**Recommendation 9**

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

**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.

### 6.9 Charity Rebates

**6.9.1 The charitable rebate program not fully supported by policy, not fully documented and not transparent**

The City receives approximately 290 charity rebate applications per year and the program is administered by two staff each of whom Management indicates devote roughly 25% of their time to the program. The total 2008 rebates issued was $3,189,600. The 2008 budget was set at $3.1 million. Section 361 of the *Municipal Act* provides tax relief of at least 40% of property taxes paid by registered charities provided that the property occupied is in one of the commercial or industrial property classes. The rebate applies to charities that own or lease properties in those classes. The tax program as set by the municipality can provide rebates over 40% and can expand it to other organizations similar to charities.
The “Billing & Tax Policy Unit - About The Registered Charitable Rebate – Policy” states its purpose as “The City of Ottawa is committed to ensuring that clear guidelines are included in the Registered Charity Rebate program that will guarantee the prompt, professional and legal treatment of all registered charitable/sports organizations that apply.” The policy requirements are outlined in Appendix E to this report. The policy needs to be updated as it refer to Acts and Bills which no longer exist and are now contained in Section 361 of the Municipal Act. All of the Branch’s policies are posted on Intranet sites only and are not publicly available. Therefore, the applicants and Council are unaware of the provisions in the policy.

The staff interviewed indicated that its charitable rebate program is published on the City’s website. As of January 2010, the website provided a brief summary of the program including the requirement to issue half of the rebate within 60 days after receipt of the application and property data confirmation. This issue is further detailed in the next section. The charitable rebate application form found on the website includes the requirements to provide property details and lease details such as square footage, monthly rent and the monthly proportionate property taxes. A copy of Revenue Canada’s Recent Confirmation of Registration Number, a copy of the head lease and/or sub lease agreement and a copy of the property tax bill must also be filed with the application. There is no indication on the application form of the reason or government program that requires the lease information. Further, there is no indication on the application form of the calculation methodology that the City would use.

It is further noted that the policy does not provide any requirements for the charity to provide lease or square footage information. It does not indicate how the calculations would be undertaken other than that the charity is entitled to a property tax rebate of 40% and that it must meet the basic criteria of being a registered charity and occupy a commercial or industrial property. These are mandatory as per the Municipal Act.

The Branch has made decisions based upon criteria that have not been detailed in policy. Although not written and not supported through policy, the Branch has made the decision that, generally, it would utilize the lower of the amount claimed by the charity and the percentage of square footage occupied by the charity. In some cases, the Branch also reduced the rebate for Gross Leaseable Area confirmed by MPAC for the prior year and vacancy rebates. Management indicated that they have made changes to the 2010 program to reflect changes, during the course of this audit, relating to vacancy rebates. However, these reductions are also not detailed in policy. The details are also not provided to Council or the charity.

The Branch indicated that the methodology is explained to charities at its annual training session, to those who attend. The tax rebate letter to the charitable organizations indicate that there is an annual training session on “How to
Complete” the application form. This presentation goes through how to complete the application but no calculations are provided.

With respect to the transparency of the policy, we are concerned that the Branch is reluctant to provide the calculations. All of the information that is required to calculate the rebate is public and accessible. In the City, the assessment on the property can be obtained in person. The tax rates are public and anyone could potentially calculate the property taxes paid by a property owner. Therefore, if a charity wanted to determine if their taxes were reasonable, they could calculate the amount paid by the landlord. In other municipalities, such as Mississauga and Waterloo, anyone can query the property tax information including property taxes paid online. The charity could easily calculate the reasonable amount that should be paid. Therefore, in our opinion, decisions made by the Branch with respect to charitable rebates should be provided to the charity.

In our opinion, for openness and transparency, Council should also be aware of payments made to charities. This could be achieved by making available a schedule of prior year charity rebates including the number of charities that applied for the rebate, the number of years applied, the claim amount and the approved amount.

**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.

**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.
6.9.2 Charity Rebate Database
The procedures refer to a calculation database which is in fact a spreadsheet. We found that the spreadsheet was not consistent or well-designed. The fields are manipulated, calculations are customized for partial year occupancy, cheque amounts are changed manually and there is no consistent criterion in the “database”. Management indicated that it was not worthwhile to create an automated non-spreadsheet solution as they only process approximately 300 applications per year.

During the audit, Management indicated that they reviewed the spreadsheet and they will implement changes to streamline the data and the spreadsheet.

6.9.3 Charity Rebate Cheque Processing
We found that there was a lack of details on how the amount was calculated on the cheque run document that managers were reviewing and signing off. Management has indicated that there will be a sheet provided with the relevant data and they will be implementing this change for 2010 applications.

We found that the electronic copy of the cheque run document was sent to the Manager after they had been sent the hardcopy document. Management has indicated that the detailed calculation provided in hard copy will be cross-referenced to the payment list provided in hard copy with full signatures.

Prior to the audit, it was identified that Accounts Payable cheques were being returned to the Branch for distribution. Then there was a change whereby the Accounts Payable group had been receiving the cheques and matching them to the charity letters and pre-filled applications. During the course of the audit, Management has indicated that they will be implementing a further change to this procedure to mail the letters a week earlier to advise the charity that a cheque is coming and Accounts Payable will mail the cheque.

6.9.4 Charitable rebate process does not meet legislative timeframes
The City’s practice does not follow the Municipal Act in that it does not pay the charitable rebate within the 60 and 120 day timeframes. Further, when the rebate is not paid within the legislated timeframes, the City does not pay interest on the amounts owing as required by subsection 361(1) of the Act. The requirement to pay interest is not mentioned in any policy or procedure related to charitable rebates.

Although the Act and City’s charitable rebate program requires that one half of the rebate be paid within 60 days after the receipt by the municipality of the application, we found that the Branch does not process applications within the legislated timeframes and does not provide for half of the rebate in 60 days. Further, the City has interpreted this date to mean “after the application is complete.” There is no tracking of this date nor is there an indication of this
expectation in the policy. Management indicated they would start tracking the various stages of the application process in Q4 2010 in order to meet this legislative timeframe requirement.

**Recommendation 11**
That the City update the charitable rebate process (policies, procedures and practises) to ensure that rebates are paid within legislative timeframes.

**Management Response**
Management agrees with this recommendation.

The Branch has already implemented this recommendation.

### 6.9.5 Charitable rebate process does not meet interest requirements

As shown in Figure 10, of the applications filed for the 2008 property tax year, over 51% of the rebates should have one-half of the payment issued within 60 days. Since this did not occur, interest should have been paid in the amount of $7,700 for the 50% owing from 60 to 120 days and a further $8,272 for the rebates paid after 120 days.

**Figure 11: 2008 Charitable Rebate Interest Calculations**

<table>
<thead>
<tr>
<th>Processing Time</th>
<th>Percentage of Appl</th>
<th>Sum of Chq Amt</th>
<th>Interest 60-120 days</th>
<th>Interest over 120 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 60</td>
<td>48.66%</td>
<td>$1,636,208.23</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>61-120</td>
<td>40.61%</td>
<td>$1,039,920.48</td>
<td>$2,403.19</td>
<td>$2,729.48</td>
</tr>
<tr>
<td>121-365</td>
<td>9.20%</td>
<td>$491,952.60</td>
<td>$4,646.11</td>
<td>$4,877.02</td>
</tr>
<tr>
<td>&gt; 365</td>
<td>1.53%</td>
<td>$21,524.47</td>
<td>$651.24</td>
<td>$665.98</td>
</tr>
</tbody>
</table>

Grand Total: 100.00% $3,189,605.78 $7,700.54 $8,272.48

Management indicated that it would revise its policy for 2010 applications which were due February 2011 with the intention to pay one half of the rebate within 60 days of receipt date and the remaining within 120 days and for those not paid within the timelines to pay interest on a go-forward basis.

**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.

**Management Response**
Management agrees with this recommendation.

The Branch has already implemented this recommendation and has updated the policies and procedures.
6.9.6 Charitable rebates are not recalculated upon assessment changes as required by statute.

Subsection 361(10.1) of the Municipal Act requires that charitable rebates that have been issued be recalculated when the assessment changes due to an appeal.

Assessment changes could result in additional rebate being owed to the charity or a debt being owed to the City. The City’s rebate program does not address changes due to changes in assessment nor is it undertaken until the following year, assuming that the charity remains in the same location and applies for the rebate. Further, there is no process in place to monitor the appeals on properties that have charitable rebates. This is further complicated by the fact that charitable rebates are not tracked on the corporate property tax system. Therefore, there is no way for other staff to know that a rebate may need to be recalculated. Consequently, there could be lost revenues to the City for overpayment of rebates and associated interest or lost revenue to the charity in situations where the rebate may be increased. Further, there is a possibility that the charity is no longer eligible for the rebate as a result of property class changes. As this provision of the Municipal Act is mandatory, the City’s program should include this requirement.

Management has indicated that the tax system is based on tax rolls and not tenants and so calculations can’t be done in the property tax system. Management indicated that on a monthly basis they will now run query reports as a work around against a pre-determined list of potential roll numbers in order to determine the impact of any assessment adjustments. We are satisfied that this represents a reasonable approach.

**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.

**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.
6.10 Tax Adjustments

6.10.1 Potential Outstanding Liability Related to Property Tax Appeals Not Recorded

Changes in property assessments can occur through property class changes, appeal of assessments and reassessments.

The financial statement audit results reported to Council each year by the external auditors show that Management had not accrued the liability even though it meets the criteria (likely and estimable). For 2009, 2008 and 2007, the audit results showed that Management had approximated a potential liability related to property tax appeals in the amounts of $6.7 million, $6.2 million, and $3.6 million.

As these amounts have not been accrued, the impact of the loss of revenue would occur in the year that the adjustment is made rather than for the tax year that it applies as no allowance has been determined.

The City has not provided for an allowance for these write offs even though the Branch has sufficient information to develop a policy that estimates an allowance.

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.

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.

6.10.2 Tax adjustments process is accurate

The tax adjustment process within the Revenue Branch is managed through manual processes. However, the staff are thorough with respect to the process. We reviewed and analyzed 93 appeal adjustment files and no significant differences were found as the corporate property tax system accurately calculated the tax changes required.
6.11 Vacancy Rebates

6.11.1 Vacancy Rebate Authority Levels were not appropriately supported.

The Delegation of Authority City of Ottawa By-Law allows for the delegation from the City Treasurer to the Deputy Treasurer of Revenue who may in turn further delegate to the managers or staff within the branch. The by-law requires delegations to be authorized in writing.

We found that the Delegations of Authority were missing for example for final approvals of vacancy rebate refunds.

**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.

**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.

6.11.2 Vacancy Rebate Process

Commercial or industrial buildings that were entirely or partially vacant for a period of at least 90 consecutive days during the year may be eligible for a rebate of their taxes paid.

Section 364 of the Municipal Act outlines the requirements for the vacancy rebate program for commercial and industrial property classes. Ontario Regulation 325/01 further clarifies the requirements under the program. The program requires that the municipalities provide tax rebates of 30% and 35% for commercial and industrial classes respectively. Interest is payable if the City fails to rebate or credit the amount within 120 days of the receipt of the application. In cases where assessments or taxes are reduced as a result of an appeal, the rebate must be recalculated. Consequently, vacancy rebates may be recalculated several years after the taxation year.

To qualify for a rebate, the vacancy duration must be at least 90 consecutive days (89 days if entire month of February is involved). Owners must submit a Commercial/Industrial Vacancy Rebate application for each year that a building, or portion of a building, is vacant for at least 90 consecutive days. The application process can be found on the City’s website.
The application form indicates that the property owner (or their authorized agent) provide specific details and drawings of the vacant area. MPAC provides the assessment information for the vacant area in order for the City to assess the taxes applicable to the vacant area. The City typically receives approximately 750 applications per year.

In our review of the vacancy rebate process with Management, there are a number of issues that impact the processing of vacancy rebates.

### 6.11.2.1 Processing Delays at MPAC

The City needs to send every application to MPAC as MPAC verifies the status of occupancy in buildings. Management has advised us that MPAC used to take two to three months to process an application and now it takes up to four months. Management also advised that as of September 2010 there were roughly 50 applications from February 2010 that were still at MPAC (roughly 200 days from receipt versus 120 days per legislation). These processing delays would result in the requirement for interest to be paid by the City. Management has also indicated that for assessment changes that MPAC must provide a revised, post-assessment decision value before Revenue Branch can complete a vacancy rebate recalculation.

### 6.11.2.2 Manual Calculations of Vacancy Rebates

Currently, the vacancy rebate, reassessments from appeals and interest calculations are done in spreadsheets and then entered into the tax system as opposed to being calculated in the tax system and confirmed with the spreadsheet. This manual process results in time for additional review.

The Branch maintains a separate log to track vacancy rebates outside the corporate property tax system. If the data was tracked within the system in the fields that are available (such as verification, sent to MPAC, returned from MPAC), the Branch would be in a better position to monitor turnaround time, both for their own performance and MPAC’s performance. Management has indicated that the tax system would have to be significantly amended to automate all of the vacancy rebate calculation process and any such customization would take considerable time and resources.

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.

In our opinion, the City should consider options to automate the vacancy rebate process.

**Recommendation 16**

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

6.11.2.3 Changes to Assessment Values
Changes to assessment values on commercial and industrial properties should impact the amount of vacancy rebates. Management has indicated that the assessment changes are checked on any commercial or industrial properties. However, this part of the process is also not automated. Management has acknowledged that as a work-around the best they can do is monthly exception reporting to determine vacancy rebates impacted by re-assessment. Vacancy rebate adjustments cannot be processed at the same time as tax-related adjustments as MPAC must provide the Revenue Branch with revised, post assessment decision values, as noted in item 1.

6.11.2.4 Interest Payment Processing and Clarification of Interest Rate Used
Management has indicated that vacancy rebates are credited to the tax accounts and that interest is paid up to the date the vacancy rebate adjustment is credited to the account. Section 364(13) of the Municipal Act allows a municipality to credit the tax rebate to an outstanding tax liability of the owner. If there are no outstanding taxes, a “Request for Tax Refund” form is then sent, leaving the “refund option” to the taxpayer. Prior to mid-2010, for interest owing to the taxpayer, interest was calculated by adding an additional 21 days to the current date to estimate the date of payment which was to take into account the time to mail the “request for refund” form to the applicant and receive it back. Since mid-2010, the interest is paid up to the date the vacancy rebate is processed in the tax system.

Consistent with Section 364(20) of the Municipal Act which references 257.11(4) of the Education Act, the “Handling Interest Payment and Penalty Reversal Calculations” procedure indicates that the Bank of Canada’s current lowest prime rate as posted every Wednesday on the Bank of Canada’s website should be used. This was not specified in the training manual. Management has agreed to clarify and update the training manual.

Recommendation 17
That the City update the vacancy rebate process (policies, procedures, practises) to incorporate Management’s changes regarding interest calculations.

Management Response
Management agrees with this recommendation.
The procedure “Handling Interest Payment and Penalty Reversal Calculations” was updated in July 2010.

**6.11.2.5 Importance of Initial Review of Vacancy Rebate Applications**

The process showed that there is an initial review of the vacancy rebate application which involves completing an application checklist that includes verifying the validity of the application including ownership as it appears on the tax system. Management has indicated that any outstanding matters that require further review would be escalated to a higher level for further review. However, this would be at the request of the specific staff member. We found an example of vacancy tax rebates in excess of $527,000 being paid in 2006 and 2007 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, the 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.

**6.12 Client Service Centres**

**6.12.1 Drop Box Payments**

At the Client Service Centres (CSCs), payments accepted include cash and cheques, for the many types of services the City provided including tax and water payments. External drop boxes are located outside the major CSCs within the City. Clients use these drop boxes in order to make direct payments or file forms or documents for various departments during or after the CSCs regular hours of operation.

The supervisor assigns a CSC agent to remove the contents of the drop box twice daily, date stamp the contents and record the contents on a spreadsheet. The agent then processes the non-post-dated items in the cash register. Post-dated cheques and supporting documents are placed in the vault with the deposit backup for transfer to the Revenue Branch by secure courier.

The CSC procedure document states that, ”the designated Client Service Representative will ‘Log each document received in the electronic Drop Box Payment Log Form’. “The procedure document also addresses tax due date and states that “There are no distinctions to how payments/documents are recorded/logged during Tax Time. ALL PAYMENTS WILL BE LOGGED, MORE IMPORTANTLY DURING TAX TIME.”

Management has indicated that this procedure has been in place since 2007 and that logs have been available when required. We are satisfied that these processes are reasonable.
6.12.2 Recreation Program Deposits at CSC

During the course of the audit, we found that payments in the form of cash and cheques accepted and processed by CSC for recreation programs and captured in CLASS, the Parks and Recreation system, were being deposited weekly. This delay may be justified if the amounts are low and the cost of processing daily deposits is too high. The last analysis to support the frequency of CLASS deposits had been done in 2004.

During the course of the audit we also found that the credit card terminal for CLASS at Client Service Centres locations was not “closed” each night resulting in a delay with the batch process to transfer the funds into the City’s bank account.

Management indicated that they were aware of this issue and had identified it prior to the commencement of the audit and the processing of CLASS deposits was changed to daily as of November 2010.

Management has indicated that the deposit amounts are relatively immaterial. We were informed that the City will be implementing new cash card reader / PIN pads that will be integrated with the cash registers. When this change occurs, which had been scheduled for the end of 2010, Management indicated that CLASS payments will probably also be processed through these integrated machines and deposited with the other receipts. As of March 2011, we understand that this has not yet been implemented.

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.

Management Response
Management agrees with this recommendation.

This practice was implemented in November 2010.

6.12.3 Deposits exceeding maximum allowable amount held

The City’s Cash Handling Procedures state that if funds on hand exceed a specified maximum allowable amount and the facility is not scheduled for a daily pickup, staff at that facility are to contact General Accounting to ask if they would like them to prepare an additional same day pickup.

During the course of the audit, we found examples of cash and cheque funds on hand that exceeded the threshold specified in the Policy where the facility was not scheduled for a daily pickup. The policy/procedures require that the General Accounting Section be notified. There was no documentation indicating that
General Accounting was contacted to ask if an additional deposit should be arranged or to identify that General Accounting requested one.

In our opinion, this matter should have been dealt with in accordance with the Cash Handling Policy and Cash Handling Procedures.

**Recommendation 19**

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

**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.

**6.12.4 Monitoring of the Cash Handling Policy**

The City Treasurer approved a comprehensive Cash Handling Policy in March 2009 and its revision in July 2010. Monitoring the application of the City’s Cash Handling Policy as well as the procedures is identified as being the responsibility of the Customer Service and Collections group.

Management has indicated that, “there are numerous monitoring efforts/responsibilities in place, whether it is Customer Service and Collections Staff, Cash Accounting or City departments. Examples such as:

- Datasym files are polled every day and staff of the Customer Service and Collections division monitor to ensure the registers poll. If they do not, an error message is automatically generated and staff of POS/Revenuecommence an immediate investigation to determine the issue.
- Deposit over and unders are monitored by the Cash Accounting section as well as depositing sites.
- Training and awareness is provided by the Customer Service and Collections staff regularly.
- Department supervisors and employees have responsibilities in accordance with the Cash Handling Policy and Procedures. They must ensure that departmental staff who handle cash are informed of, and adhere to, the provisions of the Policy and Procedures.
- There are also various checks and balances outside of the Cash Handling Procedures that would pick up abnormalities. All collection processes have reminder notices.”

Cash Handling is an area that requires ongoing monitoring. There are areas of risk, such as void transactions and held deposits, which we believe need to be monitored on an ongoing basis to ensure that the policy and procedures are being followed in order to minimize risk to the City.

In our opinion, the City should clarify responsibilities for monitoring compliance under the Cash Handling Policy and Cash Handling Procedures.

**Recommendation 20**
That the City clarify responsibilities for monitoring compliance under the *Cash Handling Policy and Cash Handling Procedures*.

**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.

**6.12.5 Interfaces from CSC Cash Registers to Tax System Not Fully Automated**
The CSC do not apply payments to tax accounts directly. The payments are received from clients and entered into the cash register system. Once the cash register information is uploaded to Revenue Branch each evening, staff downloads the file to a spreadsheet and make changes to the file to make it compatible with the tax system. Changes can include the date and a check for any rejects (e.g., incorrect roll numbers).

With these procedures there is a potential for file errors to occur and for changes to amounts and/or roll numbers. There are some compensating controls in place with respect to the fact that the deposits are reconciled as well as the payment stubs.

In the audit team’s opinion, the interface that transfers the client payments entered into the cash registers at the CSC and the tax system should be automated.

**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.

**Management Response**
Management agrees with this recommendation.
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.

6.13 Long-term more fully-integrated IT system
As discussed within the report, there are a number of subsystems, spreadsheets and applications that are offline. In addition to the major subsystems such as VTAX and AquaCIS, within this report we identified six different systems including Payments in Lieu of Taxes, Vacancy Rebates, Charity Rebates, Tax Adjustments, Client Complaints and the Property Tax Ratio and Rate Setting Process. As an alternative, the Branch should continue to pursue opportunities for automation within the Revenue Branch.

As noted previously, in other municipalities such as Waterloo and Mississauga, it is possible to query property tax information. The tax information is public and should be available on-line. Although the Branch generally operates accurately, the Branch should continue to pursue opportunities for automation including offering additional automated services to the public.

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.

Management Response
Management agrees with this recommendation.

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

7 CONCLUSION
The Revenue Branch provides a wide range of services to many types of clients. Although much of the work under the Branch’s responsibility is impacted by extensive and regularly changing legislative requirements, the provision of these services and establishment of processes are Management’s responsibility. We found that the Branch had documented but not completed the flowcharting of their business processes.

In order to meet the objectives of this audit, which was to provide an assessment of the overall administration and management of the Revenue Branch of the City of Ottawa including the adequacy of management systems, controls and practices, the OAG conducted a detailed review of 20 critical business processes.
The objectives of this audit included exploring the degree to which systems were integrated and were aligned with Branch goals and priorities. In order to meet Branch goals and priorities, the Revenue Branch uses many systems including stand-alone spreadsheets which results in the need for additional staff time for data entry and review and for reconciliations between sub-systems and SAP, the City’s financial system.

We also assessed processes to identify opportunities for improvement and efficiencies. There are some systems projects underway, such as for meter reading and PILT, for which Management has identified operational efficiencies. Although the Branch generally operates accurately, the Branch should continue to pursue opportunities for automation including offering additional automated services to the public.

Further, the audit was undertaken in order to assess the degree to which the Revenue Branch has appropriately recognized revenues within its legislative boundaries and has ensured controls are in place. We found the Revenue Branch generally meets legislative requirements, with the minor exception of property tax rebates, where Management indicated they plan to implement changes on a go-forward basis.

We found that the Corporate property tax system is effective and efficient in processing basic transactions such as producing tax bills and capturing receipts. We found all of the property tax bills tested to be accurate. In general, during the course of the audit, we found that Management was proactive in addressing many of the issues we identified in this report.

8 ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.
APPENDICES A to E
## Appendix A: List of Processes Reviewed

Please note that at Management’s request, some processes, due to their sensitive nature, have been removed from the Appendix.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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<td>1.1</td>
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<tr>
<td>1.2</td>
<td>Property Tax Billing - Final</td>
</tr>
<tr>
<td>1.3</td>
<td>Property Tax Billing - Supplementary</td>
</tr>
<tr>
<td>2</td>
<td>Water and Sewer Billing</td>
</tr>
<tr>
<td>3</td>
<td>Collection of Ontario Works Overpayments (Flowchart removed due to sensitive nature.)</td>
</tr>
<tr>
<td>4</td>
<td>Collection of Corporate Accounts Receivable (Flowchart removed due to sensitive nature.)</td>
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<tr>
<td>5</td>
<td>Collection of Defaulted Provincial Offence Fines (Flowchart removed due to sensitive nature.)</td>
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<tr>
<td>6</td>
<td>Collection of Property Taxes (Flowchart removed due to sensitive nature.)</td>
</tr>
<tr>
<td>7</td>
<td>Collection of Water and Sewer charges (Flowchart removed due to sensitive nature.)</td>
</tr>
<tr>
<td>8</td>
<td>Billing &amp; Collection of Crown Tenant accounts (Flowchart removed due to sensitive nature.)</td>
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<td>9</td>
<td>Customer Telephone Inquiries</td>
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<td>10</td>
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<td>14</td>
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<td>15</td>
<td>Tax adjustments</td>
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<td>16</td>
<td>Vacancy rebates</td>
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<tr>
<td>17.1</td>
<td>Cash handling at CSCs - North Gower (Flowchart removed due to sensitive nature.)</td>
</tr>
<tr>
<td>17.2</td>
<td>Cash handling at CSC - Orleans (Flowchart removed due to sensitive nature.)</td>
</tr>
</tbody>
</table>
Appendix A – Business Process 1.1
(Based on original flowchart provided to the audit team by the Revenue Branch.)
Billing and Tax Policy Unit
Generating the Interim Property Tax Bill
Page 3 – Print Bills
Reference Procedures: Bil_interim_tax_bill.doc
Billing and Tax Policy Unit
Generating the Final Property Tax Bill
Page 2 – Generate Bills

1. IT14 Run Final Tax Calculation
2. IT15 Record Assessment Tools
3. IT18 Run Print reports
4. IT19 Run Print report
5. IT20 Run Print Bill files
6. IT21 Verify accuracy of Print Bill files
7. IT21 Approve Print Bill files

Billing and Tax Policy Unit
Generating the Final Property Tax Bill
Page 3 – Print Bills

1. IT23 Generate Print Reconciliation
2. IT26 Send Print Files to External Printer
3. IT27 Review and approve proofs from Printer
4. IT28 Balance readings per Printer to City report
5. IT29 Post Final billings in VTAX

End
Appendix A – Business Process 2

Water Billing Flowchart

Overview

1. Route Management
2. Daily Processes
3. Billing
4. Overview

Supplementary Tax Billing Flowchart
Audit of the Revenue Branch

Water Billing Flowchart

Route Management

Start

1.0 Customer Accounts
Add new Accounts
with route as required to AquaGIS

2.0 Business Consultant
Run script against AquaGIS
DB to identify new accounts, confirm routes,
update if required, note new # of accounts per route

3.0 Business Consultant
Update Monthly
Billing Schedule with
dates & number of
accounts, Post to G
drive

4.0 Business Consultant
Enter Billing date
per route into AquaGIS

End

Billing Schedule

Water Billing Flowchart

Daily Process

Start

6.2 Supervisor
Based on Billing Schedule &
Route Status Report, assign
Meter Readers to routes in
MV/RD (previous evening)

5.0 MV/RD

7.0 Meter Readers (5)
Pickup handhelds &
wands, Proceed to route
per hand held
(morning)

6.0 Supervisor
Download MV/RD routes
to handhelds via PC links
(previous evening)

Route Status Report

Billing Schedule

Hand Held

6.6 Meter Reader (1)
Run AquaGIS "Check Back" Report,
Proceed to first location

4.0 Meter Readers (2)
Run AquaGIS "Final Requests" Report, Separate
East & West, Proceed to first locations
(If low volume, work on
Check Backs)

Requests for final Readings
Audit of the Revenue Branch

Water Billing Flowchart

Start

31:0
AquaBID
Nightly batch job generates PDF invoices based on billing cycle of accounts. Also FTP PDF file to Printer. Another batch job generates electronic invoices. Auto FTP to account.

Electronic Bills

31.5
Start processing. Email number of bills being processed to Business Consultant.

32:0
Print
Billing process completed.

33:0
Business Consultant
Review email. Email Printer if problems.

34:0
Review Issue with Business Consultant

Email with problems?

No Email
Email

35:0
Printer
Continue processing. Email PDF proof with insertions to Business Consultant.

Email with problems?

No Email
Email

36:0
Business Consultant
Review email. Email Printer if problems.

37:0
Print
Resolve issue with Business Consultant

38:0
Continue processing. Email PDF proof with insertions to Business Consultant.

Email with problems?

No Email
Email

39:0
Business Consultant
Review email. Email Printer if problems.

40:0
Print
Resolve issue with Business Consultant

41:0
Printer
Final processing. Email final invoice to customer. Final Report to Business Consultant.

Customer

Yes

3
No

42:0
Business Consultant
Review final receipt and file

43:0
Customer
Receive bill. See Cash Operations (Process #10) and Water Collections (Process #7)

End
Appendix A – Business Process 9

Tax + Water Telephone Inquiries Flowchart

1.0 ACD
Get up daily phone schedule spreadsheet
Distribute to Customer Accounts (CA) staff

Schedule

2.0 Agents (2/3)
Review schedule
Log on to ACD system, continue working

ACD

3.0 Callers
Call with Tax / Water issue, self-identify French / English

Agent available*

Yes

No

6.0 ACD
Caller put on hold

On hold 42 seconds?

Yes

No

6.0 ACD
ACD pops up on users’ screens, Turns Yellow

On hold 60 seconds?

Yes

No

7.0 ACD
ACD pops up on users’ screens, Turns Red

8.0 Caller
Waits for next available Agent

6.0 Consider calling in additional resources

* ACD: Automatic Call Distribution system

Tax + Water Telephone Inquiries Flowchart

1.0 ACD
Call assigned to next available Agent in queue

9.0 ACD
Agent assigned to next available Agent in queue

10.0 Agent
Answer call, Access & Update VTAX, AcuCID

Issue Resolved?

Yes

No

11.0 ACD
Agent End call, Back in Queue when wrapped up

12.0 F02
Weekly Process: Monitor ACD generated stats, Revise Agents’ performance

13.0 ACD
Agent End call, Write-up: Call Sheet, Back in Queue when done

14.0 F02
Collect call sheets, Assess, Distribute to Subject Matter Expert for resolution, Log in spreadsheet

15.0 Call Sheet
Resolve issue, Contact caller, Update call sheet, Return to F02

16.0 Subject Matter Expert

Tax Call Sheet Log

Water Call Sheet Log

End
Appendix A – Business Process 11

Adjusting Penalties

Sources of Adjustments

- Tax payments mailed before due date
- Water payments posted to closed accounts
- Contact from Customer

Adjusting Penalties

Tax payments mailed before due date

1.0 Customer Mail tax payment, Postmarked before due date, received after due date
2.0 F31 Cash Operations Identify payments mailed before due date, Pull into separate batch, Circle 501 on tax batch slip
3.0 F31 Cash Operations Process batch, Another staff member double checks, Post to VTAX, Forward batches to F32
4.0 VTAX Automatically calculates reversal of interest charges on account

5.0 F32 Verify SAP entry for batch, Return to F31
6.0 F31 Cash Operations Forward batches to F32 Payment Application
7.0 F32 Payment Application Approve batch in VTAX which posts the payments and adjustments in the batch to the accounts
Appendix A – Business Process 13

Payments in Lieu of Taxes Flowchart

1.0  
P21  
Set up 1 new file per organization per year

Interim Invoices

2.0  
P21  
Create spreadsheet per organization listing each property

3.0  
P21  
Analyze calculation

4.0  
P21  
Prepare MS Word letter, Submit printed spreadsheet & letter to P22

5.0  
P22  
Review and sign-off spreadsheet(s) & letter, Submit to Coordinator

6.0  
Coordinator Review and sign-off spreadsheet(s) & letter, Submit to Program Manager

7.0  
Program Manager Review and sign-off spreadsheet(s) & letter, Return to P21

8.0  
P21  
Mail cover letter to organization, File copies in folder, Copy of letter into invoice binder

9.0  
Organization Receive letter, Make payment

PILT File per organization
Appendix A – Business Process 14

Charity Rebates Flowchart

1.0 Front Reception
Open, Date stamps, Forward to Business Consultant

1.0 F02 Business Consultant
Enter into "Log" and "Database" spreadsheets, Forward to F02

1.0 F02 Initial review of application & Supporting docs using Application Check List

6.0 F02 Acknowledgement email
To client, Create file with checklist, Update Log, Place file in queue

7.0 F02 Input Org. & lease details into Database, check building so, ft info

8.0 MPAC
Email MPAC requesting building so, ft info

9.0 MPAC
Email F02 with building so, ft info

4.0 F02
Email client, Create file with checklist, Update Log

5.0 F02
Receive Documents, Update checklist and Log, Put file into queue

Start
Application with supporting Docs

Complete?
Yes

Application files in queue

No

Current?
Yes

No

2.0 Business Consultant
Review file & Database, Extract details for group of applications from database into spreadsheet

3.0 Business Consultant
Email Check Run file to Manager or Deputy City Treasurer

4.0 Manager or Deputy City Treasurer
Email to F02

5.0 Manager or Deputy City Treasurer
Enter into SAP, verify Check Run address to SAP vendor address, Contact Business Consultant if no match

6.0 Manager or Deputy City Treasurer
Send letters and applications to Accounts Payable

7.0 Accounts Payable
Match cheques, cover letters & applications, Shift and prepare statement of mailing

Application with supporting Docs
Appendix A – Business Process 15

Tax Adjustments Flowchart

Overview

- Assessment Review Board Decisions and Court Rulings
- Assessment Review Board Minutes of Settlement
- Municipal Act s.397 & 189 Applications

2

4

6
Audit of the Revenue Branch

Tax Adjustments Flowchart

1. F01 Receive Decision/Ruling, Log in VTAX. Review for clerical errors, if errors return to ARB to correct, Forward to F02

2. F02 Review Decision/Ruling, Assess if phase-in details needed

3. F02 Prepare MPAC Application for phase-in values, Log in VTAX. Set application aside for weekly MPAC pick-up

4. MPAC Provide phase-in values in ANA**

5. F01 Enter new assessment values into VTAX. Forward file for approval based on amount of assessment change:
   - F02 < $250K
   - Coordinator: $300K - $600K
   - Manager: > $600K

** Assessment Review Board (ARB)
** Advisory Notice of Adjustment (ANA)
Appendix A – Business Process 16

Vacancy Rebate Flowchart

1. Start
   - Rebate Application
   - Rebate number

2. 1.0
   - User processing group
date stamp, forward to F01

3. 2.0
   - F01
   - Prepare File Folder

4. 3.0
   - F01
   - Create Application in VTAX

5. 4.0
   - F01
   - Review Application, Complete Checklist
   - Anything Missing?
     - Yes
       - Set back to Applicant, File application folder
     - No
       - Apply for Folder

6. 5.0
   - F01
   - Create letter of
acknowledgement in VTAX

7. 6.0
   - F01
   - Copy, acknowledge
Letter, mail original to
applicant

8. 7.0
   - F01
   - Log applications to
send to MPAC this week

9. 8.0
   - F01
   - Copy applications,
Print list of applications being
sent, Weekly counter
to MPAC

10. 9.0
    - F01
    - Assess vacant area, conduct
verifications, update
applications with value,
returns with cover list

11. 10.0
    - MPAC
    - Log of applications sent to MPAC

12. 11.0
    - MPAC
    - Applications sent to MPAC this week

13. 12.0
    - MPAC
    - Apply for Folder

14. 13.0
    - MPAC
    - Rebate Folder

15. 14.0
    - MPAC
    - Rebate letter

16. 15.0
    - MPAC
    - Rebate letter

17. 16.0
    - MPAC
    - Rebate letter

18. 17.0
    - MPAC
    - Rebate letter

19. 18.0
    - MPAC
    - Rebate letter

20. 19.0
    - MPAC
    - Rebate letter
Vacancy Rebate Flowchart

1.0 Coordinator
Verify VTAX information. Approve entry in VTAX

2.0 Coordinator
Print VTAX batch reports. Place on file. Return files to FS1

3.0 FS1
Update the master in VTAX. Check that credits posted. Generate 2 copies of letter

4.0 FS1
Forward files with letters to the Revenue Clerk

Vacancy Rebate Flowchart

5.0 Revenue Clerk
Check status of account in VTAX

6.0 PTP Group
Verify owner is the same. Adjust remaining withdrawals. Notify client

7.0 Revenue Clerk
Generate “Request for Tax Refund” Mail “Rebate processed letter” & “Request for Tax Refund” to client

* Pre-authorized Tax Payment
Appendix B - Extract from Municipal Act – User Fees – Section 391

January 2011

By-laws re: fees and charges

391. (1) without limiting sections 9, 10 and 11, those sections authorize a municipality to impose fees or charges on persons,

(a) For services or activities provided or done by or on behalf of it;

(b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and

(c) For the use of its property including property under its control. 2006, c. 32, Sched. A, s. 163 (1).

Costs related to administration, etc.

(3) The costs included in a fee or charge may include costs incurred by the municipality or local board related to administration, enforcement and the establishment, acquisition and replacement of capital assets. 2006, c. 32, Sched. A, s. 163 (3).
Appendix C: Extract from City of Ottawa’s Fiscal Framework – User Fees - 2007
Effective September 26, 2007

“User fees and service charges

Funding of municipal services that benefit individual and commercial users by charging fees and service charges

Guiding Principles

- Users of municipal services that do not benefit the community as a whole (where an individual chooses to use the service or not) to have some responsibility for the costs of those services; thereby reducing the property tax requirement
- Objective criteria is used to determine where user fees apply, and for the range of fees to be applied

Recovery rates for services consider:

- Operating and capital costs;
- Extent of private, commercial and community benefit (note: community benefit includes environmental considerations)
- Use of service by non residents (not including tourists);
- Rates for commercially available services
- Impact of changing user fees on demand
- Service fees implemented where individual beneficiaries of the service can be identified
- Fees subject to periodic study and review
- Programs to mitigate the impact of fees on specific users should be adjusted in accordance with fees
- Changes in user fees to be transparent

Targets

- Capital and operating costs for water, sewer and solid waste for landfill operations and garbage collection to be 100 per cent recovered by fees (includes associated development charges)
- Transit fares to recover 55% of defined costs:
- Attain a 50 per cent target by 2010 and progress each year thereafter
- Services of a private or commercial benefit, or those routinely supplied to non residents, subject to 100% recovery
- Services that provide a community or common good to recover between 20% and 80% of capital and operating costs.
- User fees and service charges updated annually
- Target recovery rates will be established for all categories of user fees by 2009

**Accountability**

- Report on user fees and recoveries to be published on an annual basis by the City Treasurer”
Appendix D: Extract from City of Ottawa’s Accountability and Transparency Policy - Effective November 28, 2007

“Policy Statement

The City of Ottawa will promote accountable and transparent municipal governance guided by the following principles:

1. Decision-making will be open and transparent.

2. Municipal operations will be conducted in an ethical and accountable manner.

3. Financial resources and physical infrastructure will be managed in an efficient and effective manner

4. Municipal information will be accessible so that it is consistent with legislative requirements.

5. Inquiries, concerns and complaints will be responded to in a timely manner.

6. Financial oversight, service standards and performance reporting and all other accountability documents will be made available and accessible, in language that the public can understand, to increase the opportunity for public scrutiny and involvement in municipal operations.

7. Every new delegation of power or authority will have a corresponding accountability mechanism.

Definitions

Accountability – The principle that the municipality is obligated to demonstrate and take responsibility for its actions, decisions and policies and that it is answerable to the public at large.

Transparency – The principle that the municipality will conduct its business in an accessible, clear and visible manner and that its activities are open to examination by its stakeholders.

Purpose

This policy provides guidance on how the City of Ottawa ensures municipal matters are approached in an accountable and transparent manner, with emphasis on openness, ethics, performance outcomes and fiscal responsibility.

Application
As required by Section 270 of the Municipal Act, 2001, this policy applies to all City of Ottawa operations.

**Policy Requirements**

The City demonstrates its commitment to accountability and transparency by providing a framework of policies, procedures and practices that create sound governance and sustainability.

The City of Ottawa ensures accountability and transparency by way of various policies, procedures and practices that have been divided into the following categories:

1. *Legislated Requirements*

2. *Financial Accountability, Oversight and Reporting*

3. *Performance Measurement and Reporting*

4. *Open Government*

5. *Internal Accountability and Ethical Standards*

**1. Open Government and Legislated Requirements**

The City of Ottawa is accountable and transparent to taxpayers by fulfilling various legislated responsibilities and disclosure of information. The following are provincial statutes that govern how the City conducts its business in a public, accountable and transparent manner:

1. *Municipal Act, 2001*

2. *Municipal Conflict of Interest Act*

3. *Provincial Offences Act*


**2. Financial Accountability, Oversight and Reporting**

The City of Ottawa is accountable and transparent to taxpayers by identifying the source of City funds and how those funds are used to deliver services. The following policies, procedures and practices demonstrate the City of Ottawa’s best-practice financial accountability and oversight and reporting mechanisms, including:

1. *External Auditor and their report*
4. Open Government

The City of Ottawa is accountable and transparent to taxpayers by providing governance in an open manner through communication, consultation, and collaboration. ....

5. Internal Accountability and Ethical Standards

The City of Ottawa has established policies, procedures and practices that govern internal accountability and ethical standards for the City of Ottawa, including:

1. Code of Conduct for City employees...

Responsibilities

City Council and City staff are responsible for adhering to the parameters of this policy and for ensuring accountability for their actions and transparency of municipal operations.”
Appendix E: Extract from City of Ottawa’s Charitable Rebate Policy - Effective August 6, 2009

and Procedures Effective July 19, 2009

The policy states:

“The Small Business and Charities Protection Act of 1998 states that charities that occupy business properties are protected by a property tax rebate of at least 40%. The Act stipulates that the province contribute its share of these rebates for education tax purposes. To meet these legislative requirements, Ottawa City Council has approved in its annual Tax Policy Report a 40% rebate to eligible registered charitable/sports organizations. Clear guidelines have been set out for both sides, as detailed below.

“To be eligible for this rebate, a registered charity must

• have a valid registration Business number (RT) issued by the Canada Revenue Agency;
• occupy a property that is in a commercial or industrial tax class and
• apply every year for the rebate by submitting an application form between January 1 of that year and the last day of February of the following year.

The policy further states that “the municipality must

• issue half of the rebate to a charity within 60 days after receiving the application and property data confirmation;
• pay the balance within 120 days of receiving the fully completed application, with adjustments (if any) being made after the issuance of final tax bills for the year, and
• process all property tax rebate applications in order of receipt date of the required fully completed criteria documentation.”

The procedure states that:

“The Finance Specialist II performs the steps below:

1. Select the organization’s file from the Yearly Log Book in order of fully completed receipt date.
2. Locate the property tax roll number on the application form, tax bill provided or the Calculation Database Sheet.

3. Log on to VTAX and find the property tax details for the tax roll number that the charitable organization is occupying. Produce the following screen prints:

   - **Property Information** details
   - **Instalments** details

   - **Assessment** details (Note: If an Assessment Tax Adjustment was applicable for the property tax rebate year, print the **Transaction** details.)

   - **Vacancy Rebate (VR)** details (If VR is applicable, print the **Transaction** details with the amount of the VR Rebate for the appropriate year.)

4. Insert the following calculation details in the Calculation Database Sheet:

   - total sq. ft. of building
   - total sq. ft. of space occupied
   - total sq. ft. of sub-leased space
   - total annual taxes (less any Vacancy Rebate or Tax Assessment Adjustments)
   - monthly rent
   - monthly proportionate share of property taxes
   - number of months that the space was occupied for the given year

   The Calculation Database will calculate the amount of the property tax rebate that the charitable organization is entitled to receive.”
Appendix F – January 2011 Extract from the Municipal Act Subsections 361(1) to (3) relating to Charity Rebates which specifies that:

“361. (1) Every municipality, other than a lower-tier municipality, shall have a tax rebate program for eligible charities for the purposes of giving them relief from taxes or amounts paid on account of taxes on eligible property they occupy.

Eligible charities, property
(2) For the purposes of this section,
(a) a charity is eligible if it is a registered charity as defined in subsection 248 (1) of the Income Tax Act (Canada) that has a registration number issued by the Canada Revenue Agency;
(b) a property is eligible if it is in one of the commercial classes or industrial classes, within the meaning of subsection 308 (1). 2001, c. 25, s. 361 (2).

Program requirements
(3) A tax rebate program under this section is subject to the following requirements:
1. The program must provide for a rebate for an eligible charity that pays taxes or amounts on account of taxes on eligible property it occupies.

2. The amount of a rebate required under paragraph 1 must be at least 40 per cent, or such other percentage as the Minister of Finance may prescribe, of the taxes or amounts on account of taxes paid by the eligible charity on the property it occupies. If the eligible charity is required to pay an amount under section 367 or 368, the amount of the rebate shall be the total of the amounts paid by the eligible charity under those sections.

3. The program must provide that payment of one-half of the rebate must be made within 60 days after the receipt by the municipality of the application of the eligible charity for the rebate for the taxation year and the balance of the rebate must be paid within 120 days of the receipt of the application.

4. The program must permit the eligible charity to make an application for a rebate for a taxation year based on an estimate of the taxes or amounts on account of taxes payable by the eligible charity on the property it occupies.

5. The program must provide for final adjustments, to be made after the taxes or amounts on account of taxes paid by the charity can be determined, in respect of differences between the estimated rebate paid by the municipality and the rebate to which the charity is entitled.
6. The program **must** require, as a condition of receiving a rebate for a year, that a charity repay any other municipality amounts by which the rebates the charity received for the year from that other municipality exceed the rebates from that other municipality to which the charity is entitled for the year.

7. An application for a taxation year **must** be made after January 1 of the year and no later than the last day of February of the following year. However, the municipality may accept applications after that deadline if, in the opinion of the municipality, extenuating circumstances justify the applicant being unable to make the application by the deadline.” (emphasis added)