

Property Taxes Billing Audit

City Manager's Department
Finance Division
Revenue and Taxation Section

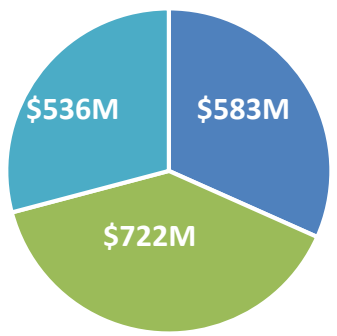
Airene Cunanan, CIA, CISA

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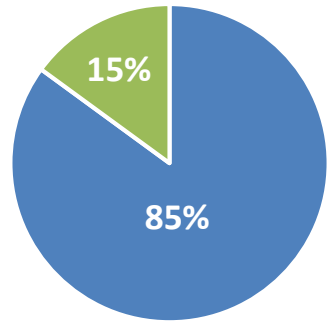
- Revenue and Taxation is responsible for all aspects of the property tax billing and collection function.

2022 Property Taxes
\$1.84B



■ City ■ Region of Peel ■ Local School Boards

Tax Accounts
234,000



■ Paper Bill ■ Electronic Bill

- Approximately \$21.89 million Payments In Lieu of Taxes (PILTs) were billed in 2022 for properties which are owned by government bodies.

In-Scope:

Time Period: 2022 Property Taxes

- Calculation of tax bills
- Generation of tax bills
- Distribution of bills to property owners
- Review and approval of Payments-in-Lieu of Taxes (PILTs)
- Supplementary assessments
- Segregation of duties

Out-of-Scope:

- Amended tax billing process
- Collection of taxes
- Remittance of amounts levied on behalf of Region of Peel and local school boards
- Administration of tax arrears, including penalties and interest charges
- Tax sale process
- Accuracy and completeness of data provided by entities outside of the City
- Information Technology General Controls (ITGCs) over Tax Manager (TXM) application and database

Business Objectives:

Property taxes (final, interim, omitted and supplementary, Payments in Lieu of Taxes [PILTs]) based on the applicable required levies or rates,

- a) calculated and billed accurately and completely
- b) calculated and billed in compliance with applicable Legislation and By-laws
- c) billed in a timely manner within the acceptable deadlines, in compliance with applicable Legislation and By-laws

- In general, the process for property tax billing in the Revenue and Taxation was well-established and documented:
 - ✓ Work Plan is maintained
 - ✓ Cross-trained team members
 - ✓ Documentation of Policies, Procedures, Reconciliation
- A total of 14 recommendations resulted from this audit
- Areas where controls could be strengthened are:
 - Periodic user access review of tax-related systems and file storage
 - Implementing separate approval steps for any changes to tax rates and submission of tax levy calculation
 - Automation of PILTs manual billing process
 - Peer review for some manual billing reconciliation processes

Observations

- Changes to 3 of the tax rates which can be made by designated users do not require an approval as designed in TXM system, which can go unnoticed if there are no preventative (e.g. approvals) or detective (e.g. alerts) controls in place.
- Submission of tax levy calculation and approval are both performed by the same designated user as designed in TXM system; a manual reconciliation is reviewed and approved by the Manager, Revenue & Taxation. There is potential that the levy calculation can be submitted without secondary review and approval.

Recommendation

- A notification be provided to appropriate reviewer for any changes made in the rates and when tax levy calculation is submitted for review and approval.

Management Comments

- IT TXM team will implement a notification process in TXM application of changes made in the rates and when tax levy calculation is submitted for review and approval.

Observations

- PILTs billing process is manual using Excel spreadsheets in which formulas were not locked.
- Manual input of all the assessment data (approximately 170 entries), over 80 different tax rates (i.e. City, Region, Education) to perform calculations and reconcile against 13 different entities.
- Potential risk of transcription errors, time-consuming to balance and tedious which could lead to inaccurate tax calculation and billing.

Recommendation

- That a review of the PILTs billing process be conducted to determine the cost/benefit of automating the PILT process or automating controls to improve efficiency and minimize human errors.

Management Comments

- In addition to the billing process, significant manual reconciliation adjustments, payments and tracking of PILTs information are cumbersome. Currently, all other key property tax processes are automated and performed within TXM.
- Revenue to request a PILT module be designed and implemented in TXM. This request will be through the TXM Steering Committee for consideration.

Observations

- No periodic user access review, including roles and permissions for TXM system, network drives and SharePoint team sites which contain confidential and sensitive data.
- Potential risk of unauthorized access to the data which could lead to inaccurate tax calculation and billing.
- Data cannot be accessed without a valid City user ID and password; the risk is primarily limited to employees who have transferred positions and no longer require the information as part of their role.

Recommendation

- That periodic user access be performed for these property tax related systems, network drives and SharePoint team sites.
- Access be restricted to authorized and appropriate users with permissions limited to their job function.

Management Comments

- Management agreed with the recommendations.

Recommendations By Priority and Target Completion Date



Thank you