



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 14, 2015
SUBJECT/REPORT NO:	Audit Report 2015-01 – Corporate Services – Property Tax Billing and Collection (AUD15026) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard 905-546-2424 x2088 Domenic Pellegrini 905-546-2424 x2207
SUBMITTED BY:	Brigitte Minard CPA, CA, CIA, CGAP Acting Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans as detailed in Appendix “A” of Report AUD15026 be approved; and
- (b) That the General Manager of Finance and Corporate Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “A” to Report AUD15026) implemented.

EXECUTIVE SUMMARY

The 2015 Internal Audit work plan approved by Council included an audit of the City’s property tax billing and collection processes. The audit focused on the City’s compliance with applicable tax billing and collection By-laws and evaluated payment batch processing and application controls for operating effectiveness.

The 2015 tax levy had not yet been finalized when audit planning began, so the By-laws in force at the time of the audit formed the basis for the audit. The City issued over 170,000 tax bills annually in 2014 for approximately \$950 million of education and municipal levies and has over 30 property class and over 20 rate categories.

The results of the audit are presented in a formal Audit Report (2015-01) containing observations, recommendations and management responses. Audit Report 2015-01 is attached as Appendix “A” to Report AUD15026.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: Review of eligibility for rebate programs may result in cost savings for the City. However, the value of such cost savings is not known at this time.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2015 Internal Audit work plan approved by Council. The audit fieldwork was completed in January to April 2015. The results of this audit are attached as Appendix “A” of Report AUD15026.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

- Several City of Hamilton By-laws authorizing the levying and collection of property taxes, including:
 - By-law No. 13-318 To Authorize an Interim Tax Levy for 2014
 - By-law No. 14-103 To Set and Levy the Rates of Taxation for the Year 2014
 - By-law No. 15-027 To Authorize an Interim Tax Levy for 2015
 - By-law No. 15-121 To Set and Levy the Rates of Taxation for the Year 2015
- Ontario Municipal Act, 2001, Part VIII, Municipal Taxation; Part IX, Limitation on Taxes for Certain Property Classes; Part X, Tax Collection; Part XI, Sale of Land for Tax Arrears.

RELEVANT CONSULTATION

Appendix “A” to Report AUD15026 includes action plans which reflect the responses of management responsible for the administration of property taxes in the City’s Taxation Division in the Corporate Services Department.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

The City of Hamilton’s 2014 tax levies, approved per By-law 14-103, for both Municipal and Education purposes were expected to total approximately \$950M. There were 33 property class categories and 21 rate categories with over 170,000 bills issued in 2014. Comparative information for both 2014 and 2015 is listed below:

SUBJECT: Audit Report 2015-01 – Corporate Services – Property Tax Billing & Collection (AUD15026) (City Wide) - Page 3 of 4

Year	Municipal & Education Tax Levies	# of Property Class Categories	# of Rate Categories	# of Bills Issued
2014	\$950 million	33	21	170,000
2015	\$990 million	33	22	173,000

The audit objectives included evaluating compliance with tax billing and collection regulations (e.g. By-laws) approved by Council, the classification and assessment accuracy of property tax billings, as well as processes and controls surrounding the collection (including sale of properties), levying of penalties and interest, and changes to property taxes. The audit scope period was January 1, 2014 to December 31, 2014.

A formal audit report containing observations, recommendations and management action plans was issued and is attached as Appendix “A” of Report AUD15026.

The main areas for improvement noted in Audit Report 2015-01 include:

- Strengthening login and access controls in the Vailtech software application;
- Reviewing procedure documents regularly to ensure that documents reflect current operations; and
- Conducting periodic reviews of property tax rebates to validate their accuracy and validity.

Management and staff have agreed to take measures in the near future to implement all five of the recommendations.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD15026

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