

**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2015-01
CORPORATE SERVICES – PROPERTY TAX BILLING & COLLECTION**

OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
<p><u>Vailtech Access Controls</u></p> <p>Vailtech is the City of Hamilton's tax software application. It is used to record the assessed value of all of properties in the City and the tax rates by property tax class. Billing and payment information for the approximately 170,000 taxable properties in the City is also maintained in Vailtech.</p> <p>Assessment and rate information is loaded by Taxation Division staff using a shared User ID and a password that has remained unchanged for more than a year. It was also found that Vailtech is not configured to require strong passwords. Sharing User IDs and not regularly changing passwords weakens the access controls that safeguard the information stored in Vailtech.</p>	<ol style="list-style-type: none"> 1. That the use of shared User IDs in Vailtech be discontinued. 2. That the Taxation Division configure Vailtech to require that passwords be changed regularly. 3. That Vailtech be configured to require users to utilize strong password configurations. 	<p>Agreed. Staff will immediately upon starting a function such as tax billing or assessment loads, will use their own User ID versus the shared User ID that the Director, the Manager and the Senior Financial Analyst currently use.</p> <p>It should be noted that if the staff person who starts one of these processes is not available to finish a process, that one of the other staff would have to access the initiator's User ID and password to finish the process.</p> <p>Agreed. The vendor and our IT Division will be consulted to determine a workable solution for changing passwords by Q2, 2016.</p> <p>Agreed. The IT Division will be consulted as to a workable solution to utilize strong password configurations in conjunction with the above item.</p>

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<p><u>Billing and Collection Related Procedures</u></p> <p>The Taxation Division has developed eight procedures to guide staff during the billing process. Twelve procedures have been developed to guide staff in the collection process.</p> <p>The procedures ranged from being written less than two years ago to over six years ago. None of the procedures specify how frequently they are to be reviewed.</p> <p>Out of date procedures may not reflect current operations. This can cause inconsistency in the work process or confusion among staff.</p>	<p>4. That the required revision frequency be included in procedure documents and that the procedures be reviewed by management at the specified frequency.</p>	<p>Agreed. User documents will be reviewed annually and dated accordingly. All manuals will be reviewed and dated by end of Q2, 2016.</p>

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<p><u>Approval of Payment Changes</u> In 2014, the City offered property tax rebates of \$174 per year to qualifying seniors. Also, under provincial legislation, Vacant Commercial & Industrial (VCI) properties qualify for a rebate that is based on the size of the vacant space and how long it is vacant. The Seniors' Rebate Program cost the City about \$660K per year, while the VCI program costs approximately \$1M.</p> <p>Staff prepares the supporting documentation required by both of these programs. Taxation Division management does not review any of these rebates. The risk is that rebates are being issued to taxpayers that do not qualify, and in the case of the vacant properties, the rebate amount may not be accurate. The City risks losing revenue if rebate programs are not accurately administered.</p>	<p>5. That management review a sample of Seniors' and VCI rebates annually to ensure that rebate programs are accurately administered.</p>	<p>Agreed. Management will review 5% of the yearly applications received to verify accuracy of the staff performing the work. Reviews will be in place by end of Q3, 2016.</p>