

Property Tax Appeals and Refund Processing

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| Date: | February 28, 2007 |
| To: | Audit Committee |
| From: | Auditor General |
| Wards: | All |
| Reference Number: | |
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SUMMARY

The objective of this review was to assess whether assessment and tax appeal processing and administration are performed efficiently and effectively, and in compliance with applicable laws, regulations and City policies. We also reviewed related internal controls and operating procedures to determine their adequacy in ensuring the accuracy and completeness of tax related transactions.

Our review identified areas requiring strengthened management controls and improved technology. Our review also identified opportunities where the processing of assessment and tax appeals and related refunds could be delivered more efficiently and effectively. Improvements are required in strengthening controls, more efficient use of staff and addressing the capabilities of existing technology.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Director of Revenue Services take steps to:
 - a assess the tax system's ability to accommodate changes to tax adjustment processing on non-residential accounts; and
 - b ensure the tax system is programmed to adjust penalty and interest charges on overdue tax balances resulting from appeal adjustments as part of the planned re-development of the Tax Management and Collection System.

2. The Director of Revenue Services assess the feasibility and cost of developing an automated tax calculation summary as part of the 2008–2009 Capital Program to review the Tax Management and Collection System.
3. The Director of Revenue Services develop and implement appropriate performance measures for the Appeals Unit that assist in determining the effectiveness and efficiency of the assessment and tax appeal process.
4. The Director of Revenue Services take steps to:
 - a ensure staff review amounts included in the Tax Repayment Account and make the necessary adjustments to ensure appropriate amounts are included in the account; and
 - b establish policies and procedures for the administration, management and disposition of taxpayer credit balances included in the Tax Repayment Account.
5. The Director of Revenue Services ensure tax credit balances and tax refund policies, processes and related internal controls are periodically reassessed to determine continued relevance and effectiveness.
6. The Director of Revenue Services develop and implement appropriate performance measures to assist in evaluating the efficiency and effectiveness of processing in the Refund Unit.
7. The Director of Revenue Services ensure that the 2008-2009 Capital Program assessment of the Tax Management and Collection System include an analysis clearly defining business processes and data and systems requirements necessary to effectively manage the appeals and refund programs.
8. The Director of Revenue Services review outstanding service requests to assess additional automation features to be incorporated into the next generation of the Tax Management and Collection System.
9. The Director of Revenue Services assess the feasibility of implementing a refund exception reporting system as part of the 2008-2009 Capital Program to review the Tax Management and Collection System.
10. The Director of Revenue Services review computer access controls to provide staff access based on respective roles and responsibilities in the Tax Management and Collection System. Where possible, access to the Tax Management and Collection System should be limited to those functions required by staff to perform related job duties.

FINANCIAL IMPACT

The implementation of certain recommendations in this report will improve management of the City's processing of assessment and tax appeals and related refund processing, the exact amount of which cannot be determined at this time. The implementation of other recommendations in this report may result in additional capital expenditures over and above the \$2.6 million already provided. The extent of this capital spending is not determinable at the present time.

DECISION HISTORY

This report provides the results of the Auditor General's review of property tax appeals and refund processing. This review was conducted as part of the Auditor General's Annual Work Plan.

COMMENTS

The attached Auditor General's report entitled "Property Tax Appeals and Refund Processing Revenue Services Division" included as Appendix 1, contains 10 recommendations. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Property Tax Appeals and Refund Processing – Revenue Services Division

Appendix 2: Management Response to the Auditor General's Review of Property Tax Appeals and Refund Processing

