

# **AUDITOR GENERAL'S REPORT**

## **Toronto Building Division – Strengthening System Controls to Safeguard Cash Receipts**

**March 10, 2017**

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Auditor General**



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## EXECUTIVE SUMMARY

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### **Review launched in response to a complaint received by the Fraud and Waste Hotline**

In mid-2016, the Auditor General launched a review in response to a complaint received by its Fraud and Waste Hotline. It was alleged that certain Toronto Building Division's cash receipts were misappropriated. Our examination did not find sufficient evidence to substantiate the allegation.

Usually, investigations of complaints to the Fraud and Waste Hotline are summarized in our annual report and are not reported separately. In this case, given the magnitude of system issues relating to cash refund and security, we decided that it would be more appropriate to report directly to the Audit Committee.

### **Toronto Building Division collected \$74 million from user fees in 2016**

Toronto Building Division is responsible for ensuring that the construction, renovation and demolition of buildings in the City meet the health safety, accessibility, conservation and environmental provisions of applicable law. The Division, operating on a full cost recovery basis, provides a wide-range of services and charges for user fees. In 2016, the Division collected approximately \$74 million from user fees.

### **Toronto Building receives a significant amount of fees**

The Division has four customer-facing districts. Each has a Customer Service Counter responsible for handling cash receipts with the aid of its Integrated Business Management System (IBMS). In addition to collecting Toronto Building's fees, these Service Counters also collect fees for others including the Planning Division and Toronto District School Board. In total, these four Service Counters received and processed over \$400 million worth of payments in 2015.

### **IBMS is the backbone system application**

The IBMS system is the backbone application utilized by a number of City divisions, including Toronto Building Division, City Planning Division, and Municipal Licensing & Standards Division to process a variety of service requests. Data from the IBMS are transmitted to the City's SAP Enterprise Resource Planning System on a daily basis.

**Issues were noted**

While we did not identify sufficient evidence to substantiate the allegation, during the course of our investigation we noted several system control deficiencies and improvement opportunities:

- Risk of misappropriating refunds were not adequately mitigated and refunds could be potentially made to persons other than the original payers;
- Some users' rights to IBMS were not adequately segregated and the individual access was not reviewed, resulting in control gaps and unnecessary user privileges;
- The system administrators' (i.e. super users) activities were not regularly monitored to detect potential security breaches;
- The Division had 1,370 overpayments on account totalling \$475,000. The handling of overpayments needs improvement to ensure prompt refunds and error corrections; and
- In light of year-over-year increases in credit card processing fees, a corporate-wide initiative to minimize credit card processing fees will be advantageous to both the City and customers.

**Conclusion****Recommended changes will help improve cash handling**

This report contains six audit recommendations along with management's response to each recommendation. Management has agreed with all of the recommendations and in some cases has already initiated changes. The implementation of the recommendations will help strengthen controls over cash receipts. Our review also identified an opportunity to minimize credit card processing fees to reduce costs.

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## BACKGROUND

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**Review launched in response to a complaint received by the Fraud and Waste Hotline**

In mid-2016, the Auditor General launched a review in response to a complaint received by its Fraud and Waste Hotline. It was alleged that some Toronto Building's funds were misappropriated. Our examination did not find sufficient evidence to substantiate the allegation.

Usually, investigations relating to complaints to the Fraud and Waste Hotline are summarized in our annual report and are not reported separately. In this case, given the magnitude of issues noted, we decided that it would be more appropriate to report directly to the Audit Committee.

**Toronto Building Division is a steward of Toronto's building environment**

Toronto Building Division is responsible for ensuring that the construction, renovation and demolition of buildings in the City meet the health and safety, accessibility, conservation and environmental provisions of applicable law. The Division, operating on a full cost recovery basis, provides a wide-range of services and charges for user fees. In 2016, the Division collected approximately \$74 million from user fees.

**Toronto Building receives a significant amount of fees**

The Division has four customer-facing districts. Each has a Customer Service Counter responsible for handling cash receipts with the aid of its Integrated Business Management System (IBMS). In addition to collecting Toronto Building's fees, these service counters also collect fees for others including the Planning Division and Toronto District School Board. In total, these four counters received and processed over \$400 million worth of payments in 2015.

**IBMS is the backbone system application**

The IBMS system is the backbone application utilized by a number of City divisions, including Toronto Building, City Planning and Municipal Licensing & Standards to process a variety of service requests. Data from the IBMS are transmitted to the City's SAP Enterprise Resource Planning system on a daily basis.

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## REVIEW RESULTS

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### A. RISK OF MISAPPROPRIATING REFUNDS WAS INADEQUATELY MITIGATED

**Toronto Building relies on the IBMS receipt to ensure refunds are made to the bona fide payer**

When a payment is made at one of the four Toronto Building Service Counters, counter staff create a payer's record in IBMS, including information such as the payer's name and address. In processing payments for various applications, Service Counter staff frequently need to issue refunds due to reasons such as overpayment or cancellation of application. Although most of the refunds are individually less than \$20,000, the aggregate amount of refunds is substantial. For example, one district issued about \$1.6 million in refunds per year.

When a payment is made by the owner of a property, the refund is automatically issued to the owner. However, in some cases, owners of development companies do not manage projects directly and rely on their staff or agents to pay the permit fees. In these cases, the names of the staff members or the agents paying the fee will be recorded as the "payer" in IBMS, and should a refund be issued, it will be issued to the "payer" rather than the owner according to Toronto Building policy and Bylaw requirements.

In general, the process of issuing a refund involves two steps:

1. Counter staff prepares a package of documents, including a City-Issued receipt generated from IBMS, for review and approval by the Customer Services Manager;
2. The Customer Services Manager, prior to authorizing the refund, ensures the appropriateness of each refund request and the name on the refund cheque matching the name on the City-issued IBMS payment receipt.

**Employees involved in the refund process could modify a payer record and initiate the refund process**

In our review of two districts, we noted that all counter staff and Customer Services Managers involved in handling payment receipts and refunds had the IBMS privilege to modify non-owner payer records<sup>1</sup> to another name and initiate the refund process.

Once the payer record is modified, the City-Issued IBMS receipt would show the new payer information as the original payer information is overwritten. In the event of inappropriate payer record change for the purpose of redirecting the refund to a third party, the payment review performed by the Customer Service Manager would not be able to detect the irregularity.

**The Customer Services Manager can authorize any amounts of refunds**

In addition, current Toronto Building policy pertaining to IBMS daily transactions allows a Customer Service Manager to independently approve any amounts of refunds resulting from "non-Confirmed Fee<sup>2</sup>". This is contrary to the City's Financial Signing Authority's Suggested Guideline of \$50,000 authorization limit for a manager. For instance, in one district, approximately two per cent of the refunds over the past five and a half years exceeded \$50,000, including one at approximately \$1.7 million.

**Insufficient assurance that refunds would be made to bona fide owners**

Based on our review of the refund process and system controls, there are insufficient compensating controls in place to prevent inappropriate modification of non-owner payer records by staff. As a result, if this access right is misused, refunds could then be made to a person other than the original payer.

We acknowledge that the risk of misappropriating refunds is not likely to be high as one would expect the property owner would contact the Division if a refund cheque is not received. However, in some cases, property owners may not be aware that a refund has been issued by the Division, and in these instances, misdirected refunds will not be readily detected.

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<sup>1</sup> When the payer is the owner of the property, the above-mentioned modification cannot be performed. However, owners of development companies usually do not manage projects directly and pay fees at the counter.

<sup>2</sup> Non confirmed fees consist of overpayment and cancellation.

**Recommendation:**

1. **City Council request the Chief Building Official, to review the current refund process, Integrated Business Management System controls, and undertake the necessary steps to minimize the risk of misappropriation of refunds. Such steps should include but not be limited to:**
  - a. **Ensuring adequate segregation of payer record modification and refund initiation privileges granted to staff processing and authorizing refunds;**
  - b. **Ensuring that modification of the payer record are appropriately monitored, supported and authorized to prevent unauthorized changes;**
  - c. **Developing refund authorizing limits for various level of staff in accordance with the City's Financial Signing Authority Schedule.**

**B. CERTAIN ASPECTS OF IBMS' SECURITY AND ACCESS RIGHTS SHOULD BE ENHANCED**

**B.1. Some Users' Rights were not Adequately Segregated and Their Access was not Reviewed**

**Segregating IBMS user rights help prevent fraud**

To prevent fraud that may be perpetrated by individual employees, it is important to segregate incompatible duties to restrict the amount of access held by any one individual. This is accomplished through job-specific credentials in a computer system. Users are assigned particular access privileges to enhance security and ensure segregation of duties. As an example, a cashier who has the access right to void a transaction should not be delegated the authority to approve it.



**IBMS users access should be reviewed to ensure their continuous pertinence**

According to the Division's Procedures For Handling of Toronto Building IBMS Daily Transaction (the Procedures), a Customer Services Manager should *"conduct an annual review of the system access for staff to ensure that access is still valid."*

Employees could be transferred, promoted or retired. Employees' IBMS accesses should be periodically reviewed by management to ensure their continuous appropriateness. A review should be conducted to ensure that every IBMS user operates using the least set of access rights necessary to complete the job.

**The user access review was not performed**

However, staff advised that the required periodic user access review stipulated by the Procedures was not carried out to ensure adequate level of access privileges.

**The Customer Services Manager approved his own non-routine transactions**

Our review noted a lack of adequate segregation of duties among district staff. Customer Services Managers had the system credentials to both initiate and approve non-routine transactions in IBMS. In our analysis of transactions, we noted that a Customer Services Manager approved his non-routine transactions on a regular basis, including deletions of approximately 400 transactions during the period from 2014 to 2015<sup>3</sup>.

**Recommendation:**

- 2. City Council request the Chief Building Official, to design and implement additional measures to strengthen the control over the handling of non-routine transactions. The periodic user access review to ensure continuous appropriateness of Integrated Business Management System access privileges should be conducted according to the Toronto Building procedural requirements.**

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<sup>3</sup> Our examination, on a test basis, did not detect irregularity.

## **B.2. Privileged Users' Activities were not Monitored**

**If not managed properly, privileged users can present a security risk**

Privileged users/super users are those with credentials that provide significant access to applications and other system resources. While necessary for the implementation, configuration and maintenance of the IBMS, the significant access right assigned to these users can present a security risk from a risk management perspective, and have the potential to cause material negative impacts to organizations. It will be prudent to regularly monitor the activity records of these users.

**Privileged users' activities should be monitored**

The IBMS support team had four individuals with highly privileged System-Administrator level access. They managed user accounts along with associated user privileges. Moreover, they also performed back-end production data modification at the request of the Division. Our discussion with management suggested that this group of employees' activities were not monitored except for occasional ad-hoc review.

### **Recommendation:**

- 3. City Council request the Chief Building Official to develop and implement controls relating to super users' access to Integrated Business Management System to ensure system security.**

## **C. THE HANDLING OF OVERPAYMENTS NEEDS IMPROVEMENT**

**The Division had 1370 overpayment transactions on account, totaling \$475,000**

As of July 31, 2016, Toronto Building had 1,370 overpayment transactions on its account, totaling \$475,000. Overpayments occur when the confirmed fee is less than the original estimate or when applicants withdraw their applications before inspection. In the case of confirmed fee difference, Toronto Building usually initiates the refund process. In the case of application withdrawal or permit refusal by the Division, a written request from the applicant is required to trigger the refund process as per Toronto Municipal Code, Chapter 363.

**No account activity review was required**

Our review of the Procedures and discussion with management found that there was no established procedure in place to review the account on a periodic basis. Some overpayments could remain on account for a prolonged period.

**A review of overpayments is warranted**

To ensure prompt refund of application fee and error corrections, a management review of long outstanding overpayments is warranted. We selected two large overpayments for a closer review. One of them, about \$18,000 should have been refunded to the customer six years ago and the other one, approximately \$73,000 needs to be corrected as it was caused by an input error.

A total of 862 out of 1,290 of all overpayments were individually less than \$194.24 (the minimum permit fees of 2016) and were on the account for more than three years, including few dating back to 2006. It is unlikely that they will be claimed and therefore, should be re-classified.

**The applicability of refunding minimum permit fee was not clearly defined**

According to the Toronto Municipal Code, Toronto Building Division is not required to refund fee less than the Minimum Permit Fees (i.e. \$198.59 in 2017). As per Chapter 363-6, Fees, Refunds, "*If the amount of fees refundable as calculated under this section is less than the minimum permit fee applicable to the work, there should be no refund.*" However, the applicability of Chapter 363-6, Fees, Refunds and the related "Minimum Permit Fee" was not clearly defined in the Code.

**The Division believed Chapter 363-6, Refund was of specific application**

Despite the Bylaw provision, the Division refunds fees less than the Minimum Permit Fee amount. The Division believed that Chapter 363-6, Refund of the Municipal Code should only apply to the following two scenarios:

1. In cases where customers request to cancel applications after paying the Minimum Permit Fee, there shall be no refund;

2. In cases where customers ask to cancel applications after paying the initial payment and the amount refundable is less than the Minimum Permit Fee, there shall be no refund.

For other scenarios such as the refund as a result of the confirmed fee, the Division provided refunds even though the amount was less than the Minimum Permit Fee. While the amount of refunds below the Minimum Permit Fee on an annual basis is not significant, to ensure consistent implementation of the Bylaw requirement, Division should seek a legal interpretation to clarify the applicability of the refund requirement.

**Recommendation:**

4. **City Council request the Chief Building Official, to review the current overpayment review process and undertake the necessary steps to ensure its appropriate handling. Such steps should include but not be limited to:**
  - a. **Implementing a periodic review of overpayment accounts to ensure prompt refunds and error corrections;**
  - b. **Considering a one-time recognition of small long-outstanding overpayments as revenue to aid the proposed future periodic review;**
  - c. **Seeking a legal interpretation regarding the applicability of the "Minimum Permit Payment" to ensure consistent implementation of Chapter 363-6, Fees, Refunds.**

## **D. A CORPORATE-WIDE INITIATIVE TO MINIMIZE CREDIT CARD PROCESSING FEES WILL BE ADVANTAGEOUS TO BOTH THE CITY AND CUSTOMERS**

**Individually insignificant credit card processing fees can add up to a substantial amount**

The Division accepts both debit and credit card payment methods. When accepting credit card payments, the Division pays for a processing fee known as the merchant discount fee, generally in the range of two per cent, from various credit card companies. Individually, the processing fee for each transaction is insignificant. However, they can add up to a substantial cost for the Division.

**The Division incurred \$600,000 for credit card processing fees in 2016**

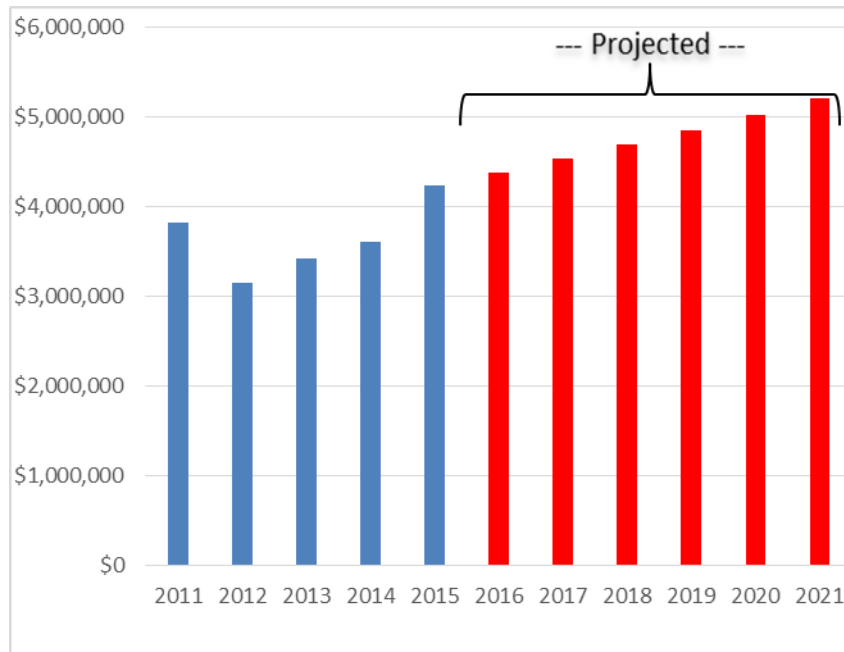
We noted a pattern of substantial year-over-year increase in Toronto Building's credit card processing fees. The fees grew at 17 per cent per year from approximately \$258,000 in 2010 to \$603,000 in 2016. At this rate of growth, the Division's costs of accepting credit card payments could likely rise to nearly \$1 million by 2019.

**City paid \$4.2 million in 2015 for credit card processing fees**

The processing fee increases are not limited to the Building Division. All other City divisions collecting fees through credit cards had also experienced a similar pattern of increases. Within a period of three years from 2013 to 2015, the cost of credit card processing fee for the City as a whole increased by 11 per cent from \$3.8 million in 2011 to \$4.2 million in 2015.

Figure 1 below shows the City's actual and projected processing fees based on a conservative average growth rate of 3.5 per cent from 2011 to 2015. At this growth rate, the fees are poised to reach \$5 million in three years.

**Figure 1: The City's Actual and Projected Processing Fees**



Within the City, there are generally two models for credit card fees: cost recovery and cost absorption. For instance, Court Services charged a fixed administrative fee of \$3.5 for each moving violation paid online using credit cards, whereas other divisions just absorbed the cost, including Toronto Building Division.

**Higher fees will translate into higher taxes or user fees**

Higher credit card fees will inevitably translate into either higher taxes or user fees for customers. It will be advantageous to both the City and customers to keep the credit card fee as low as possible.

The City is not alone in facing the challenge of ever-increasing fees. Many public-sector organizations have implemented organization-specific solutions, ranging from fees recovery<sup>4</sup> to forbidding the credit card payment method<sup>5</sup>. As an example, Hydro One adds a service fee of 1.75 per cent to its customers using credit card to pay either online or over the phone. The service fee is associated with the credit card payment service and Hydro One does not set or retain it.

<sup>4</sup> The City of Brampton automatically adds a service charge of 2.5 per cent per transaction when online property tax payment is made using credit cards.

<sup>5</sup> Insurance Corporation of British Columbia does not accept payments by credit card and saved \$1million per year since 2015.

**Limiting credit card payment amount is commonly used in private sector**

Many private companies also place a limit on the dollar amount that can be paid by credit cards in order to minimize processing fees. For example, car dealerships frequently set a dollar limit on accepting credit card payment when selling a vehicle and require their customers to pay the rest of the purchase cost through other methods such as certified cheques.

There are benefits for the Division to accept credit card payments. One of the benefits is to reduce the costs and staff time associated with handling Non-Sufficient Funds (NSF) cheques (i.e. bounced cheques). However, the Division has the option of recouping NSF charges through cancellation of the permit and asking for certified cheques for payment.

Under the City's eCity Strategic Framework, a number of divisions will increase their service delivery through online portals, including Toronto Building. To that end, the Division has initiated the multi-phased Electronic Service Delivery (ESD).

At the time of our review, Toronto Building's portal has not gone live yet. Instead, customers were allowed to submit their applications either via email or in-person. Credit cards for fee less than \$20,000<sup>6</sup> was accepted either in person or over the phone. The new email delivery model along with the over-the-phone credit card payment option had increased the level of customer satisfaction as per management, including both commercial and homeowner customers.

While it is important to achieve high customer satisfaction, we believe the advent of relatively new low-cost payment methods such as online debit card can facilitate the achievement of even higher customer satisfaction with substantially lower processing fees. Furthermore, customers will be able to make online payment greater than \$20,000, eliminating the need to visit the Service Counter.

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<sup>6</sup> Credit card payment over the phone option is only available to customers paying fees less than \$20,000. Our data analysis suggests that the average credit card payment was approximate \$700. For payment greater than \$20,000, customers have to visit the Service Counter to pay by other methods such as certified cheques.

## **Tailor-made options for the Division**

Our analysis of Toronto Building's transaction data and low-cost alternative payment methods has identified several possible tailor-made options for the Division. They are discussed below:

1. The Division currently accepts credit card payment up to \$20,000 without charging additional fees. If this threshold is reduced to \$2,000, it will reduce the processing fees by 60 per cent, resulting in approximately \$362,000 reduction in annual processing fees, based on 2016 actual fee data. Since about 90 per cent of the credit card payments to the Division are less than \$2,000, the majority of customers will be able to pay their application fees using credit cards. The proposed change will only impact about 10 per cent of customers, or on average 11 payments per business day.
2. Another quick win is to encourage customers to pay by a lower-cost method such as debit card. Currently, the usage of the debit card has been relatively low, accounting for only five per cent of total transaction volume.
3. A mid-term solution is to capitalize on the Division's business portal slated to go live this year by offering low-cost alternative online payment methods. Examples of low-cost payment methods are:
  - i. Online direct deposits such as Electronic Funds Transfer that usually does not charge a fee to the recipient;
  - ii. Online debit cards that usually cost the recipient few cents per transaction;
  - iii. Online e-transfer that usually does not charge a fee to the recipient.

The implementation of low-cost online payment methods utilizing ubiquitous online and mobile banking systems will help reduce the usage of credit cards at the Division's counters.



**City's initiatives to reduce credit card fees**

We understand from the City Treasurer that the City has already negotiated competitive credit card fee rates to reduce the financial impact from increasing credit card fees.

Under the City's current eCity Strategic Framework, a number of City divisions will increase their service delivery through online portals. This may present an opportunity to increase the use of the low-cost online payment methods. To that end, a City-wide review of existing payment methods and various low-cost options will be beneficial to ensure the City can develop a coordinated approach incorporating best practices.

**Recommendations:**

- 5. City Council request the Chief Building Official, to review the current payment methods and explore ways to minimize credit card processing fees. Considerations should be given to reducing the maximum threshold amount for credit card payment and exploring other low-cost online payment methods on its web-based business portal.**
- 6. City Council request the Treasurer to review the current payment methods used by various divisions and explore ways that can reduce credit card processing fees without negatively impacting customer services.**

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## **CONCLUSION**

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In mid-2016, the Auditor General launched a review in response to a complaint received by its Fraud and Waste Hotline. It was alleged that certain Toronto Building Division's cash receipts were misappropriated. On the basis of our examination, we did not find sufficient evidence to substantiate the allegation.

However, during the course of our review we identified several areas where the Division should improve its system controls, as well as an opportunity for the City to reduce credit card charges.

This report presents the results of our review of cash receipt handling at Toronto Building Division. The implementation of the six audit recommendations contained in this report will help address system control deficiencies, mitigate the risk of misappropriating cash receipts, and minimize credit card discount fees.

We express our appreciation for the co-operation and assistance we received from management and staff of Toronto Building Division.

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## **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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### **Review Scope**

The purpose of our review was to determine whether the allegation of fraud could be substantiated. Although we did not find sufficient evidence to substantiate the allegation, in conducting our investigation, we noted a number of areas where the Division can strengthen its controls over cash handling to further minimize potential fraud occurrences.

It is important to point out that our review was not a comprehensive end-to-end examination of all key aspects of the Division's operations. Our review focused primarily on cash controls. In conducting the review, we analyzed cash receipt transactions from 2010 to May 2016.

**Review  
emphasized  
on the  
allegation  
validation**

Our review included an initial risk assessment of system and manual controls over cash handling, and an assessment of the effectiveness of existing controls.

More specifically we reviewed the following risks associated with cash receipt handling:

- Safeguarding assets – protect the physical cash receipts, including refunds and IBMS data security;
- Accountability – ensure transactions are accounted for, reviewed, and documented;
- Segregation of duties – separate tasks among employees, including the IBMS user privileges;
- Reconciliations – ensure receipts are properly recorded and agreed to the bank deposit.

## APPENDIX 1

### Management's Response to the Auditor General's Review of Toronto Building Division – Strengthening System Controls to Safeguard Cash Receipts

**Recommendation 1:** City Council request the Chief Building Official, to review the current refund process, Integrated Business Management System controls, and undertake the necessary steps to minimize the risk of misappropriation of refunds. Such steps should include but not be limited to:

- a. Ensuring adequate segregation of payer record modification and refund initiation privileges granted to staff processing and authorizing refunds;
- b. Ensuring that modification of the payer record are appropriately monitored, supported and authorized to prevent unauthorized changes;
- c. Developing refund authorizing limits for various level of staff in accordance with the City's Financial Signing Authority Schedule.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

Toronto Building agrees that further processes can be implemented to reduce any possible risk of a misappropriation of a refund. The division will work with Information and Technology (I&T) to establish new IBMS functionality to ensure the appropriate segregation of duties are in place. The division will also work with I&T and Cluster B Policy, Planning, Finance and Administration (PPF&A) to ensure divisional staff are in full compliance with the established limits for refund authorization by implementing functionality and controls in IBMS. This will include requiring refunds be authorized by a director when the amount requires it in accordance with the signing authority established under Chapter 257 of the Toronto Municipal Code.

It is anticipated this work can be completed by Q4-2017.

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**Recommendation 2:** City Council request the Chief Building Official, to design and implement additional measures to strengthen the control over the handling of non-routine transactions. The periodic user access review to ensure continuous appropriateness of Integrated Business Management System access privileges should be conducted according to the Toronto Building procedural requirements.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

Toronto Building agrees measures could be implemented to strengthen the control of the handling of "non-routine" transactions. The division will undertake a review of all divisional IBMS user profiles and access rights and work with I&T to establish a formal process to strengthen transaction control requirements along with establishing a periodic review process of access rights and privileges of each user.

With the availability of appropriate I&T resources, it is anticipated this work can be completed by Q1-2018.

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**Recommendation 3:** City Council request the Chief Building Official to develop and implement controls relating to super users' access to Integrated Business Management System to ensure system security.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

Toronto Building agrees to have controls developed and implemented to ensure adequate security of IBMS is in place for "super users" system access. A process will be established to conduct periodic reviews of user access rights and privileges. The division will work with I&T to implement controls in IBMS to ensure there is a segregation of duties is in place.

Toronto Building anticipates work will be completed by Q1-2018.

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**Recommendation 4:** City Council request the Chief Building Official, to review the current overpayment review process and undertake the necessary steps to ensure its appropriate handling. Such steps should include but not be limited to:

- a. Implementing a periodic review of overpayment accounts to ensure prompt refunds and error corrections;
- b. Considering a one-time recognition of small long-outstanding overpayments as revenue to aid the proposed future periodic review;
- c. Seeking a legal interpretation regarding the applicability of the "Minimum Permit Payment" to ensure consistent implementation of Chapter 363-6, Fees, Refunds.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

Toronto Building agrees with establishing of a periodic review of overpayment accounts. The division will work with I&T to develop IBMS functionality to ensure overpayments are processed in a timely manner. The division will also work with Corporate Finance to develop a plan to address outstanding overpayments and consult Legal Services to obtain an opinion with respect to the applicability of the "Minimum Permit Payment" with overpayment processes.

Toronto Building anticipates work will be completed by Q1-2018.

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**Recommendation 5:** City Council request the Chief Building Official, to review the current payment methods and explore ways to minimize credit card processing fees. Considerations should be given to reducing the maximum threshold amount for credit card payment and exploring other low-cost online payment methods on its web-based business portal.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

Toronto Building agrees with the recommendation and is already in the process of reviewing alternative fee payment methods that will be implemented. Currently all fees associated with credit charges are recovered globally through building permit fees.

Toronto Building is in the midst of a multi-year Electronic Service Delivery initiative, which has resulted in a much more efficient permit intake process and increases in overall customer satisfaction as identified through surveys conducted by IPSOS Reid in 2013 and 2015. The Division is actively exploring low-cost online payments options through the development of a web-based business portal, with stage one slated for launch later this year, and online payment options to be introduced in a later phase.

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**Recommendation 6:** City Council request the Treasurer to review the current payment methods used by various divisions and explore ways that can reduce credit card processing fees without negatively impacting customer services.

**Management Response:**  Agree  Disagree

**Comments/Action Plan/Time Frame:**

The Treasurer will undertake a review of the City's acceptable payment methods for the City as a whole, with emphasis on those Divisions accepting the majority of the City's receipts (e.g., PF&R, Revenue, Toronto Building , etc.). An overall payment acceptance strategy document, outlining costs and benefits, and strategies for providing best value to the City, will be prepared for the CFO by Q4 2018.

Toronto Building will provide support as required to the Treasurer's city-wide review of the current payment methods being utilized and provide input if requested on considerations to reduce credit card discount from Toronto Building's perspective.

Toronto Building anticipates work will be completed by Q3-2017.