

**Presentation to the Audit Committee
on May 11, 2018
Agenda Item AU12.1**

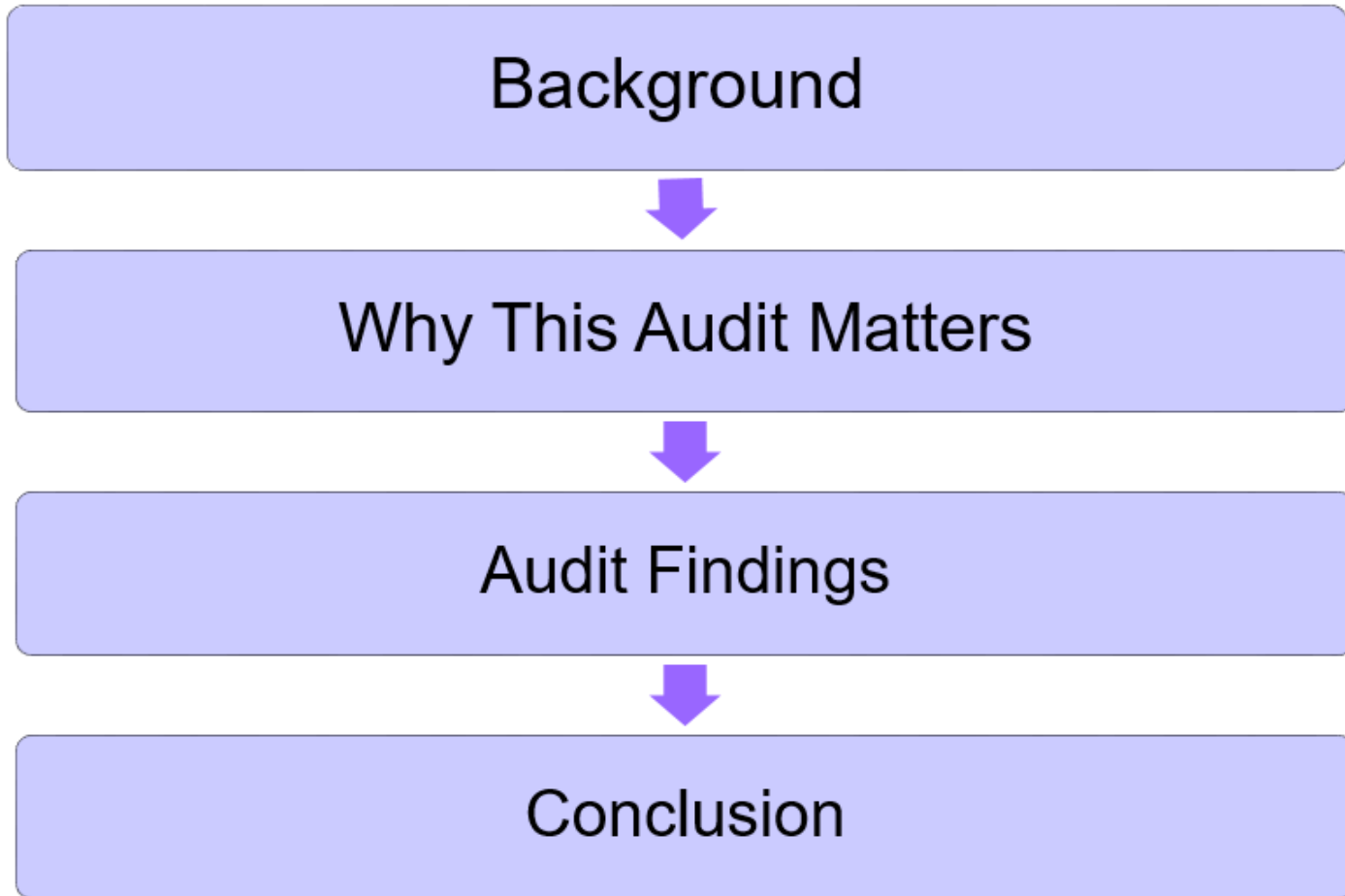
Toronto Court Services

Collection of Provincial Offence Default Fines

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Auditor General**

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Assistant Auditor General**

Presentation outline



Background



2002 Transfer from the Province

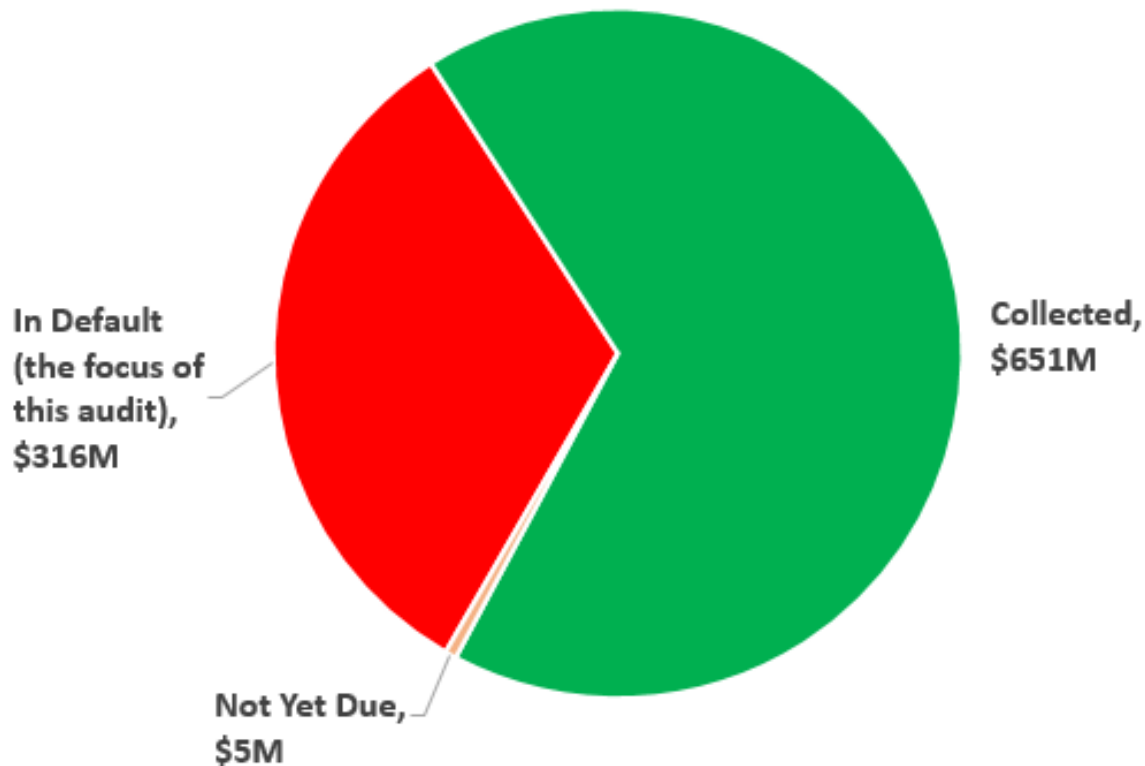
- ▶ 2002: Administration of Provincial Offences Act (POA) in Toronto
 - Collect fines, fees, costs and surcharges and enforce their payment
 - Courts administration and court support functions
 - Included nearly \$200 million (1.4 million cases) in unpaid POA fines

- ▶ Court Services handles Part 1 and Part 3 fines
 - Highway *Traffic Act*
 - *Compulsory Automobile Insurance Act*
 - City bylaws
 - Others

67% of Post-Transfer POA Fines are Collected

\$651 million of the approximately \$972 million in post-transfer POA fines have been collected

Figure 1: Post-transfer Fines, to June 30, 2017



Why this Audit Matters

“Every unpaid fine undermines the justice system, frustrates our law enforcement officers, and denies local governments much-needed revenue in challenging economic times.”

Alok Mukherjee
President of the Ontario Association of Police Services Boards, 2011

Working to Ensure Those with Offences Pay Their Debt Helps to:

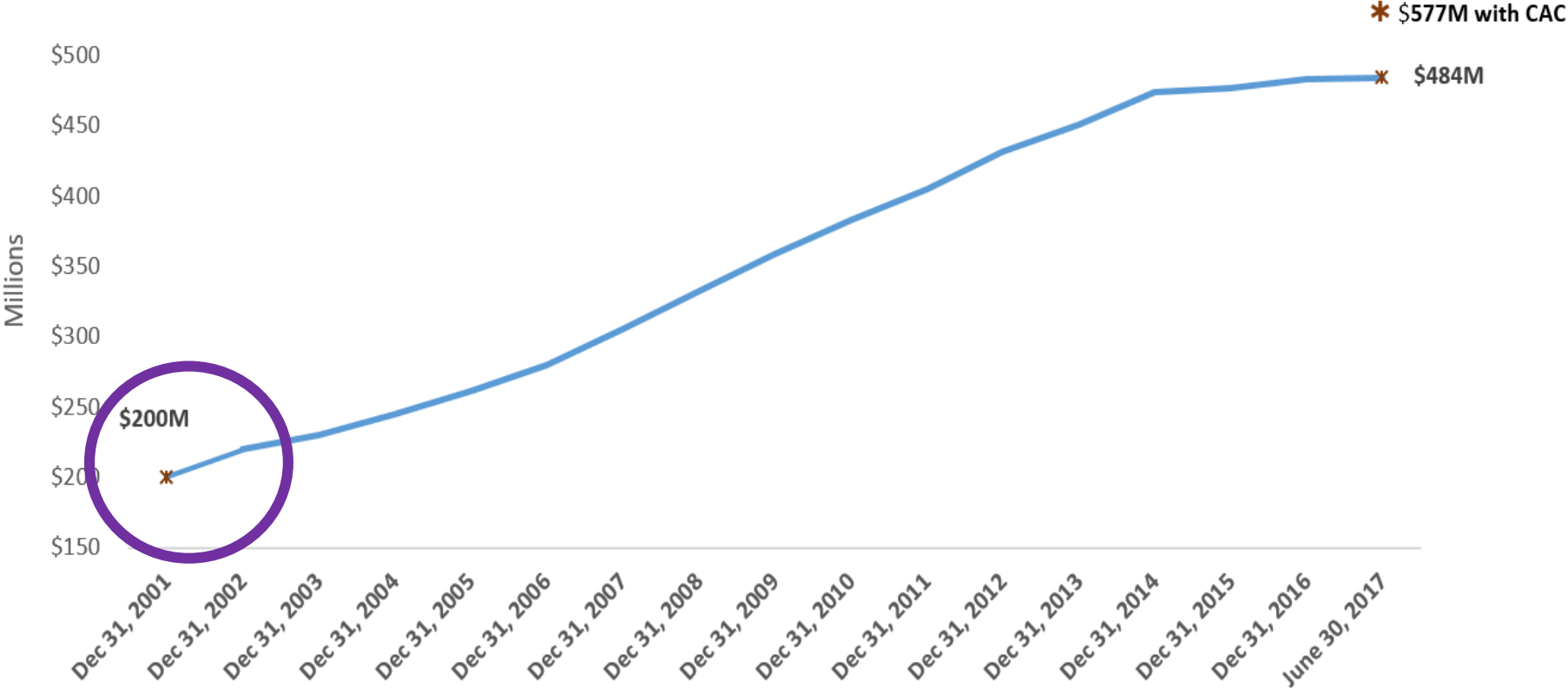
1. Encourage deterrence
2. Ensure fair administration of the law
3. Ensure monies owed to the City are paid

Audit Objective & Scope

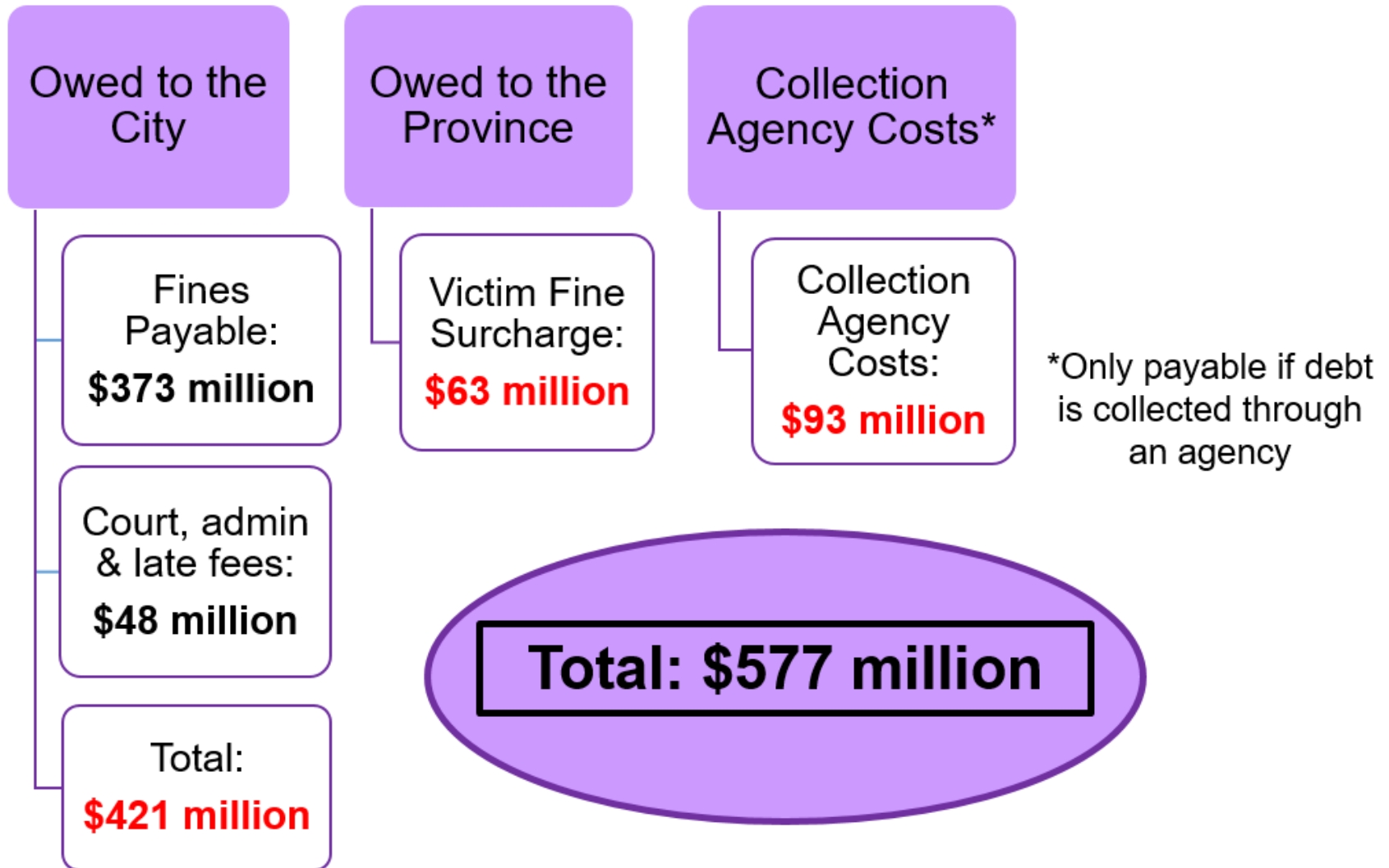
Audit Objective: Assess framework for collecting default fines

Scope: Defaulted fines as at June 30, 2017

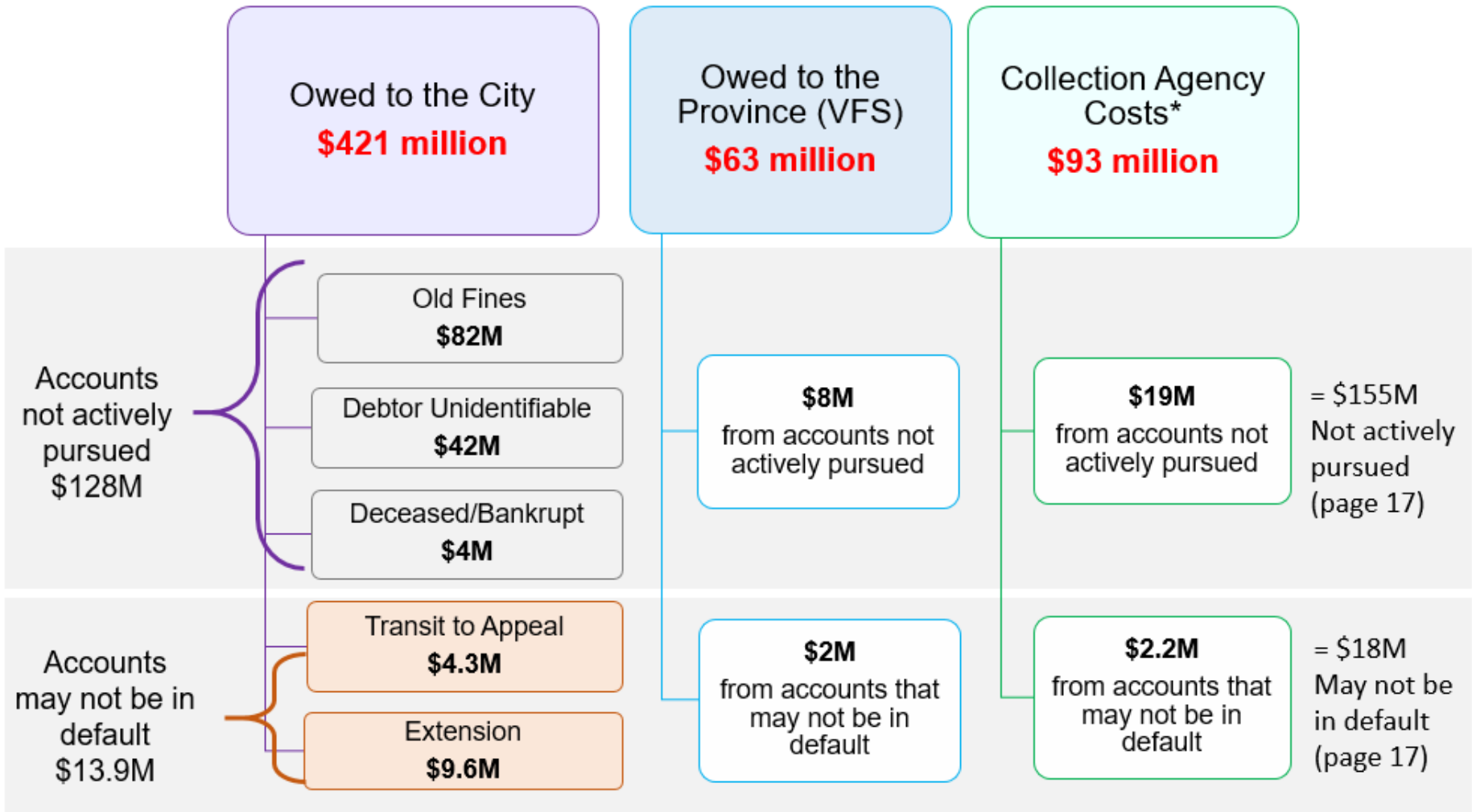
Amount in Default Increasing Since 2002



Breakdown of Amount Owing



Collectibility of \$577 Million in Default

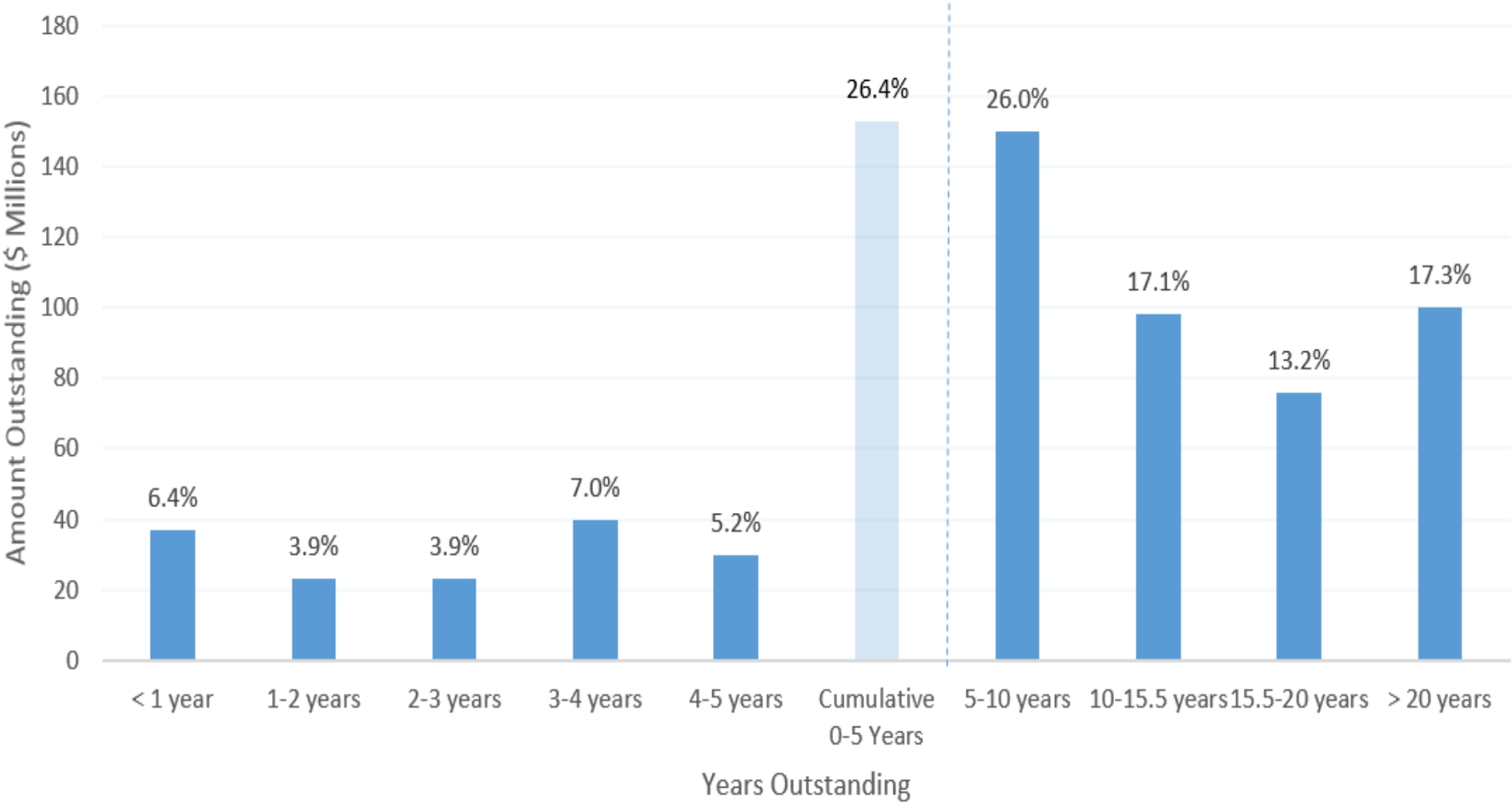


Legislation Changes

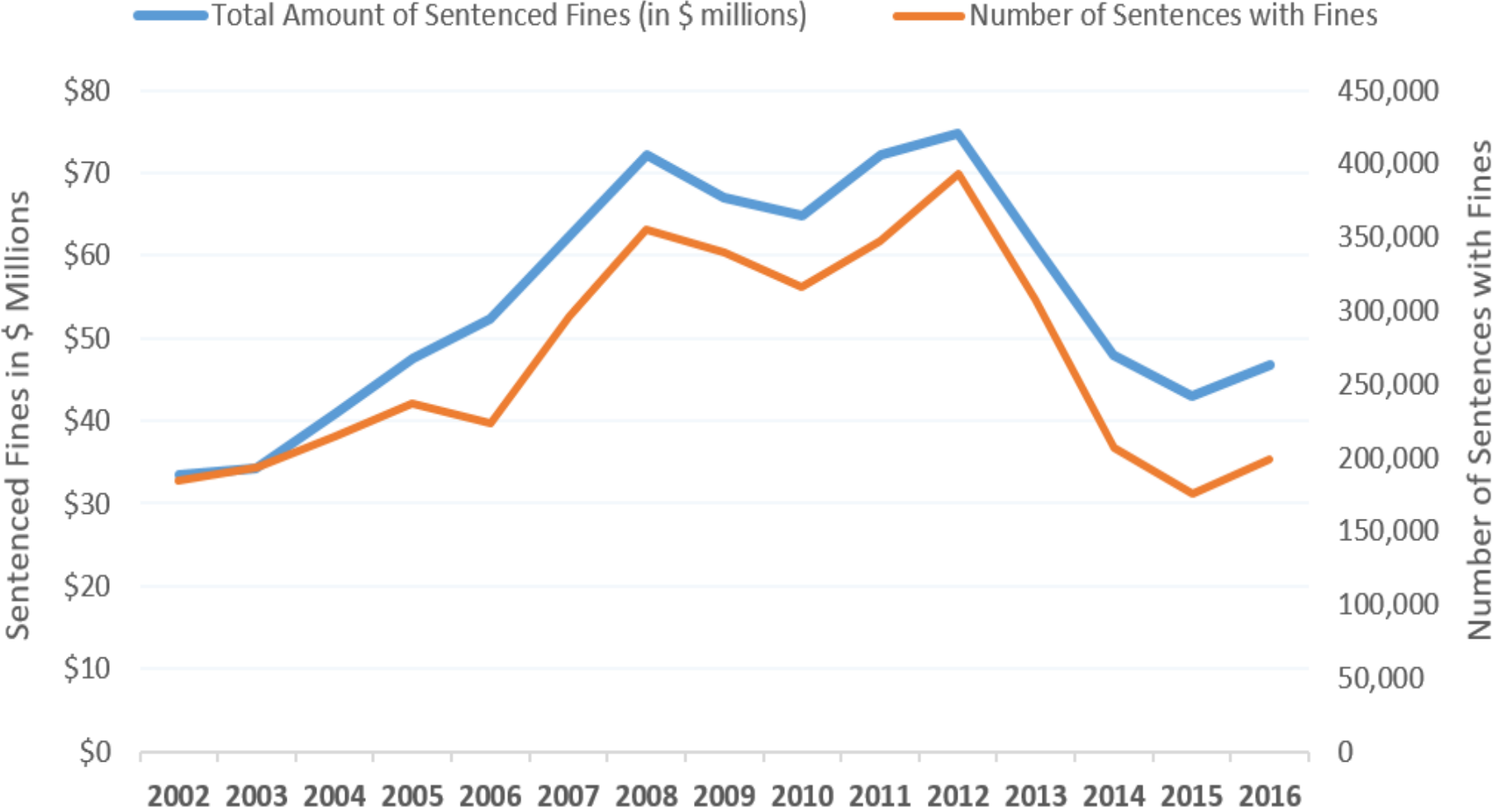
Court Services and other municipal court administrations have actively pursued these changes:

- ▶ 2009 - *Good Governance Act* allowed defaulted fines to be added to the tax roll, and recover collection agency costs
- ▶ 2015 - *Making Ontario's Roads Safer Act* expanded Ontario's plate denial program to include driving based offences
- ▶ 2017 - *Burden Reduction Act* deemed Collection Agency Costs (CAC) to be part of the fine in default
- ▶ 2017 - *Stronger Fairer Ontario Act* requires oldest fine in default to be paid first **Status: Given Royal assent in December**

Age Distribution of Defaulted Fines

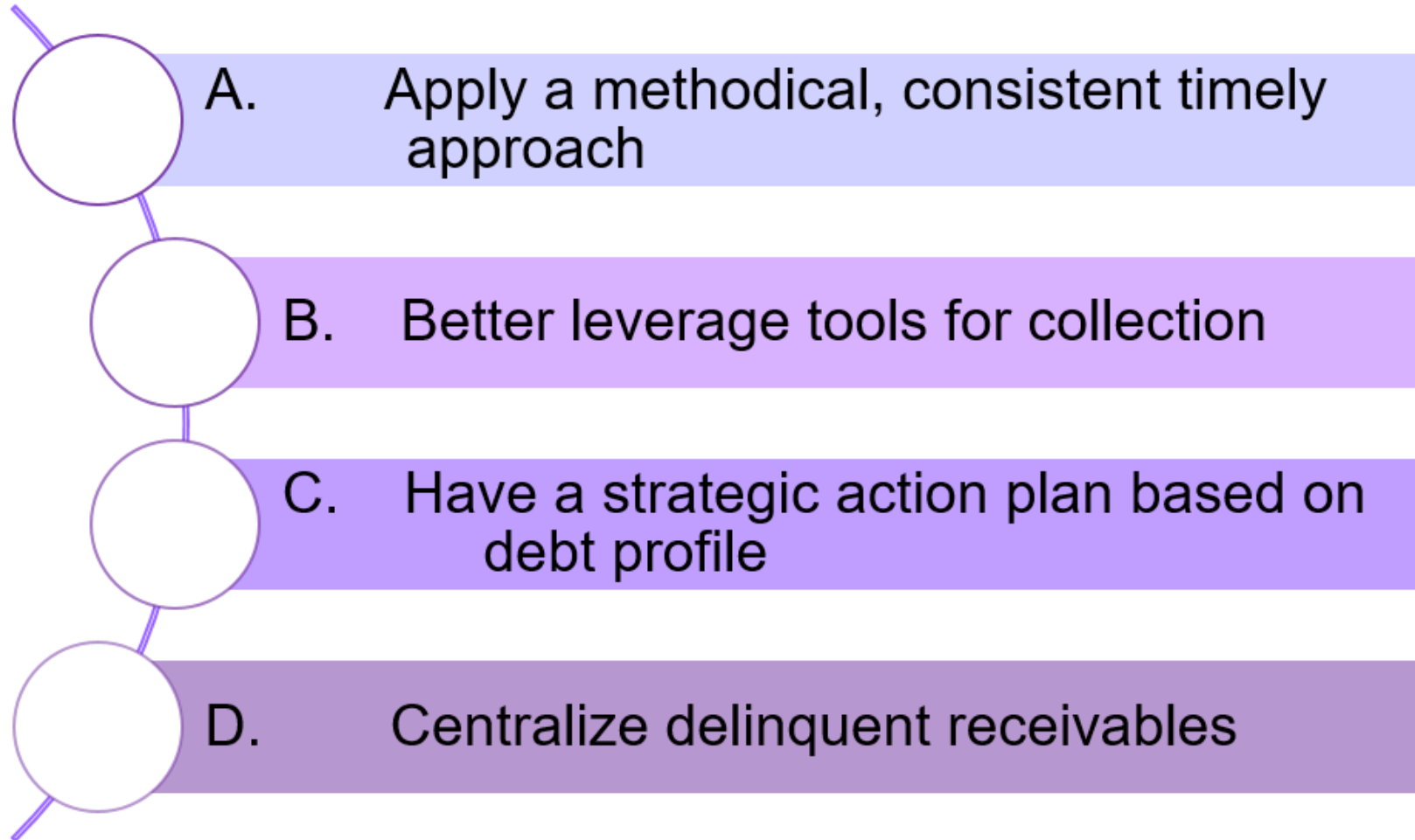


Sentencing Trend by Year



Audit Findings

Summary of Findings



A: Apply a Methodical, Consistent, Timely Approach

A.1

Devise
collection
strategies for
difficult to
collect
accounts

A.2

Improve
oversight of
private
collection
agencies

A.3

Modernize the
use of data
and
technology

A.1 Devise Collection Strategy for Difficult to Collect Accounts

▶ High-Dollar Accounts

- 600 accounts owing \$50,000 or more, totalling \$84M

▶ Corporations

- \$72M owing, many collection tools are not available

▶ Repeat Offenders

- 10,000 defendants with 25 fines or more

A.2 Improving Oversight of Private Collection Agencies

Over nearly 3 years, the 7 agencies collected around **\$18.5** million of the nearly **\$300 million** assigned to them

Prompt assignments
needed

More frequent and faster
rotations needed

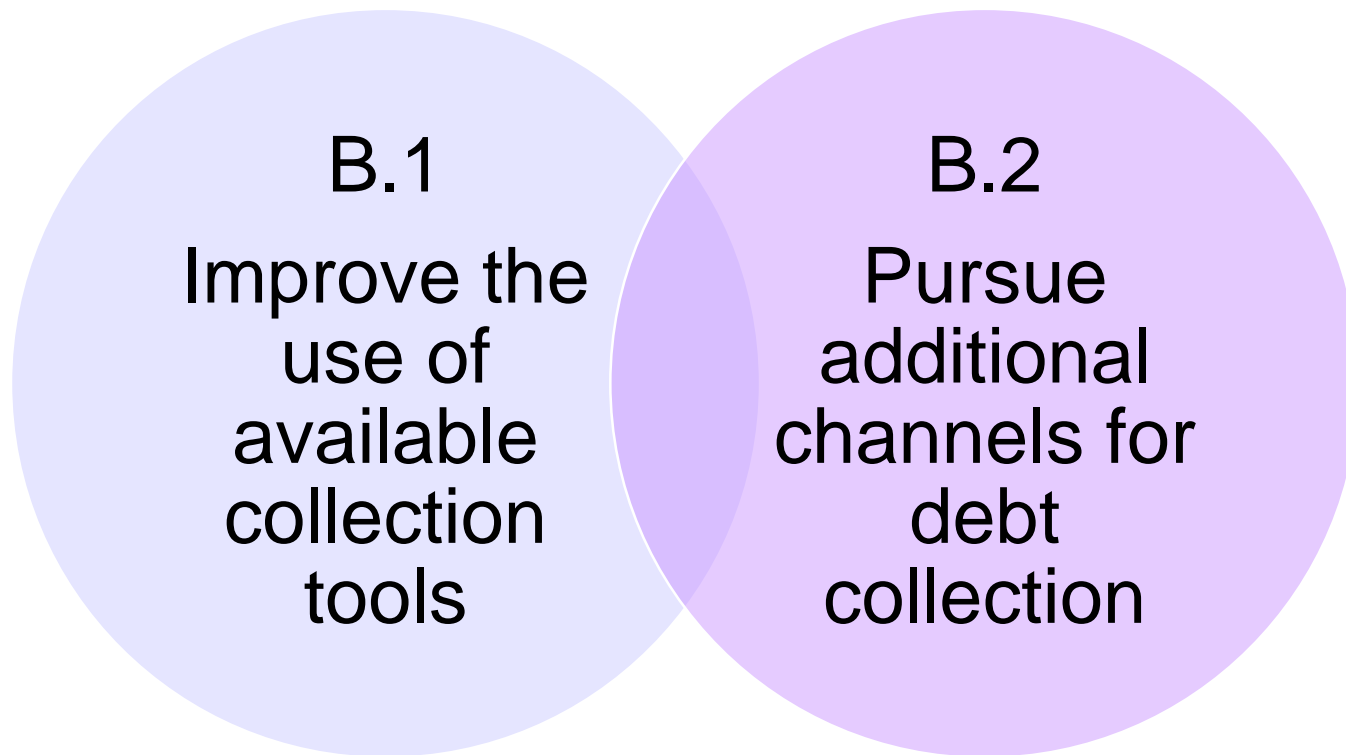
Other Improvement Opportunities

- ▶ Managing collection agencies:
 - Set performance targets
 - More assignments based on performance
- ▶ Requiring enhanced information sharing from agencies
 - Updated debtor information to be given back to City

A.3 Modernizing the Use of Data and Technology

- ▶ ICON is insufficient for collections management
- ▶ No robust internal system to manage City's POA collection activities and to supplement ICON
- ▶ Need to leverage advances in technology
- ▶ Improve data quality and sharing to support collection of fines

B. Leverage Tools for Debt Collection



B.1. More Effective Use of Available Collection Tools

Current tools used:

- ▶ Driver's licence suspension
- ▶ Single and multiple licence plate denial
- ▶ Certificate of Default
- ▶ Adding debt to property tax roll

Licence Suspensions

- ▶ \$156M in default for 5 years or more, even though driver's licences have been suspended
- ▶ *When* licences are suspended by the Ministry of Transportation (MTO), it appears suspension is occurring in a timely manner
- ▶ **Issue:**
 - Difficulty reconciling to ensure **all cases** that should be suspended were suspended
 - We identified cases that appear to be eligible for suspension, including cases originating prior to the transfer of responsibility

Single and Multi-Plate Denial

- ▶ Single plate denial has been in place for many years
 - For certain vehicle-based offence such as red-light camera or parking tags
- ▶ May 2017 plate denial was expanded – once debtor's licence is suspended, all plates owned by the debtor are denied (back to May 2010)
- ▶ **Issue:** Plate denial does not apply if the debtor is not the owner of the vehicle in which the offence was committed

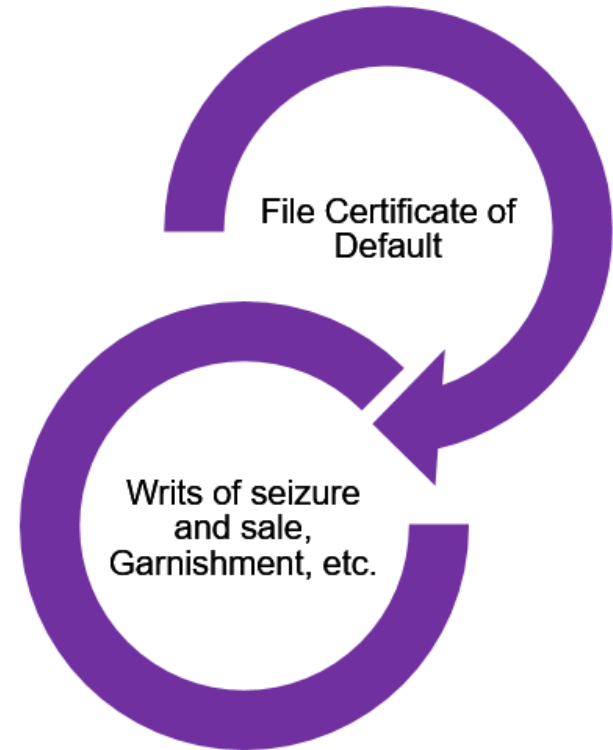
“The biggest bang for the buck would be the denial of licence plate stickers ... new licence-reading technology makes it possible to rapidly identify delinquent plates.”

-Fred Kaustinen,
Executive Director, Ontario Association of Police Services Boards

Certificate of Default with Additional Enforcement Action

Certificate of default:

- ▶ Prioritizing CODs
- ▶ Importance of filing CODs



Adding Debts to the Property Tax Roll

- ▶ Adding fines to the property tax roll is effective 92% of the time
 - Monthly interest can be charged at 1.25%
- ▶ From June 2010 – December 2017 the City added \$4.9M to the property tax rolls.

Adding Debts to the Property Tax Roll

► Issue:

- Not all eligible fines are being added to tax rolls in a timely manner
- Need better identification of fines that can be added to tax rolls
- We found an additional 8,380 unique debtors totalling \$9M that could potentially be added to tax rolls or COD / Writs can be secured - *Legal Services is actively assessing these and adding them to tax rolls where appropriate*

Challenge: Current legislation only allows addition to the tax roll if the property is solely owned by the debtor.

Inter-Municipal Tax Roll Program

- ▶ Debtors with fines that reside outside Toronto
- ▶ Pilot project between 2014 and 2015
 - 85 fines totalling \$114,000 added to tax rolls of other jurisdictions
 - City collected 66% of fines (\$75,000)
- ▶ Further expansion to be pursued
 - Agreement with York Region entered into at the end of April 2018

B.2. Opportunities to Expand Current Approach – Without Legislative Amendment

CRA

- Set-Off Programs can serve as an avenue of last resort for collection
- Many provinces have agreements

Business Licences

- Enable Licensing staff to request and collect payment for defaulted fines from debtors applying for or renewing a business licence

Maintaining Regular Contact with the Debtor

- Establish contact as soon as possible
- Technological advancements support improved debtor interactions

Explore Opportunities to Expand Current Tools – With Legislative Amendment

Single and multi-plate denial

- Consider additional sanctions for fines involving a company-owned vehicle or for companies with HTA or CAIA offences

Property tax roll

- Enable collection of defaulted fines through property tax rolls for jointly owned properties

Payment Incentives

- Offer discounts to fines where a defendant does not dispute a ticket and submits payment promptly and/or charge interest for fines that go into default

C. Need To Create A Strategic Plan Based on the Debt Profile

C.1

Establish a plan of action for the debt that should be actively pursued

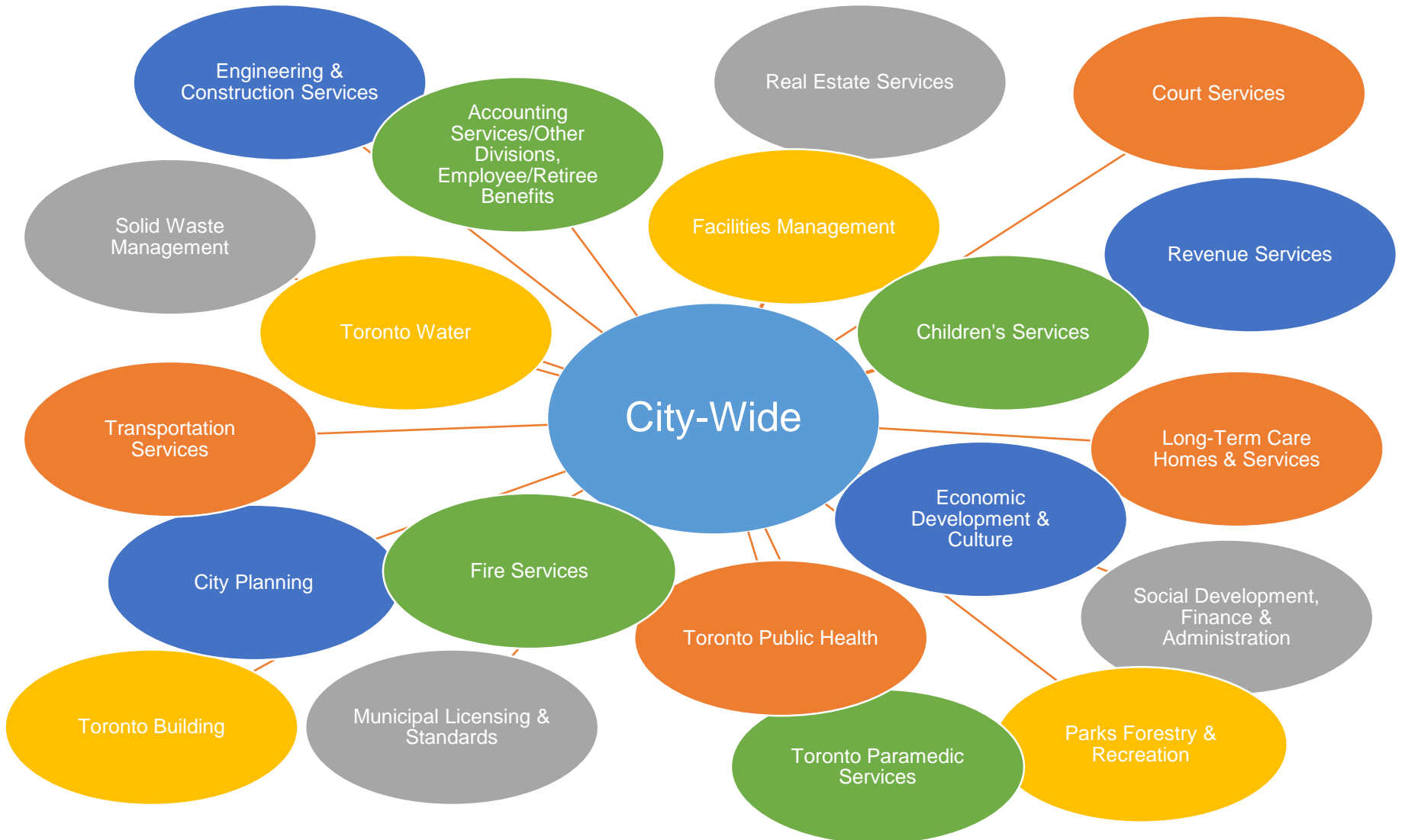
C.2

Identify debts where collection is unlikely or impractical

C.3

Measure and report on collection outcomes

Receivables Across City



Consolidated Collections Management Will Help the City

\$1B in
receivables
managed
across multiple
divisions

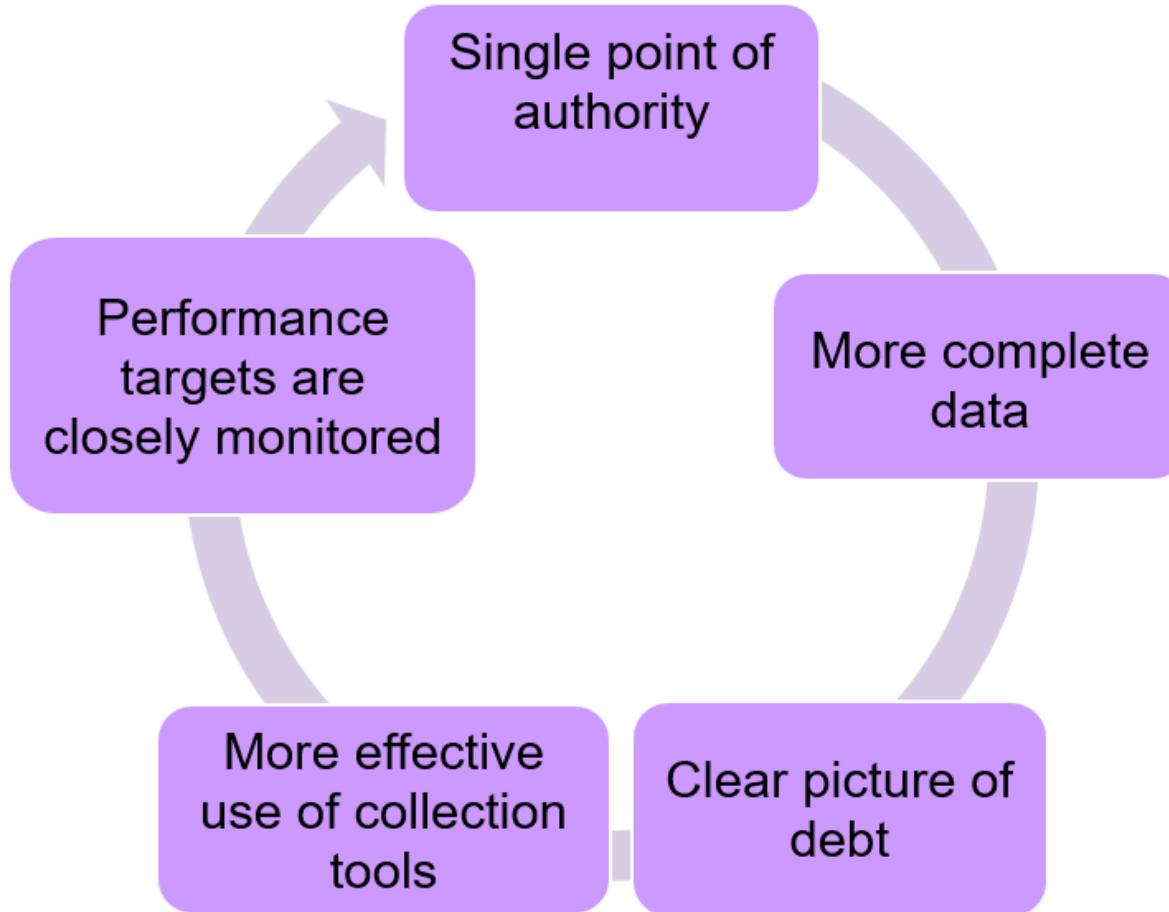
Opportunity for
economies of
scale &
efficiencies

Opportunity to
modernize -
Leverage
technology and
have better
performance
reporting

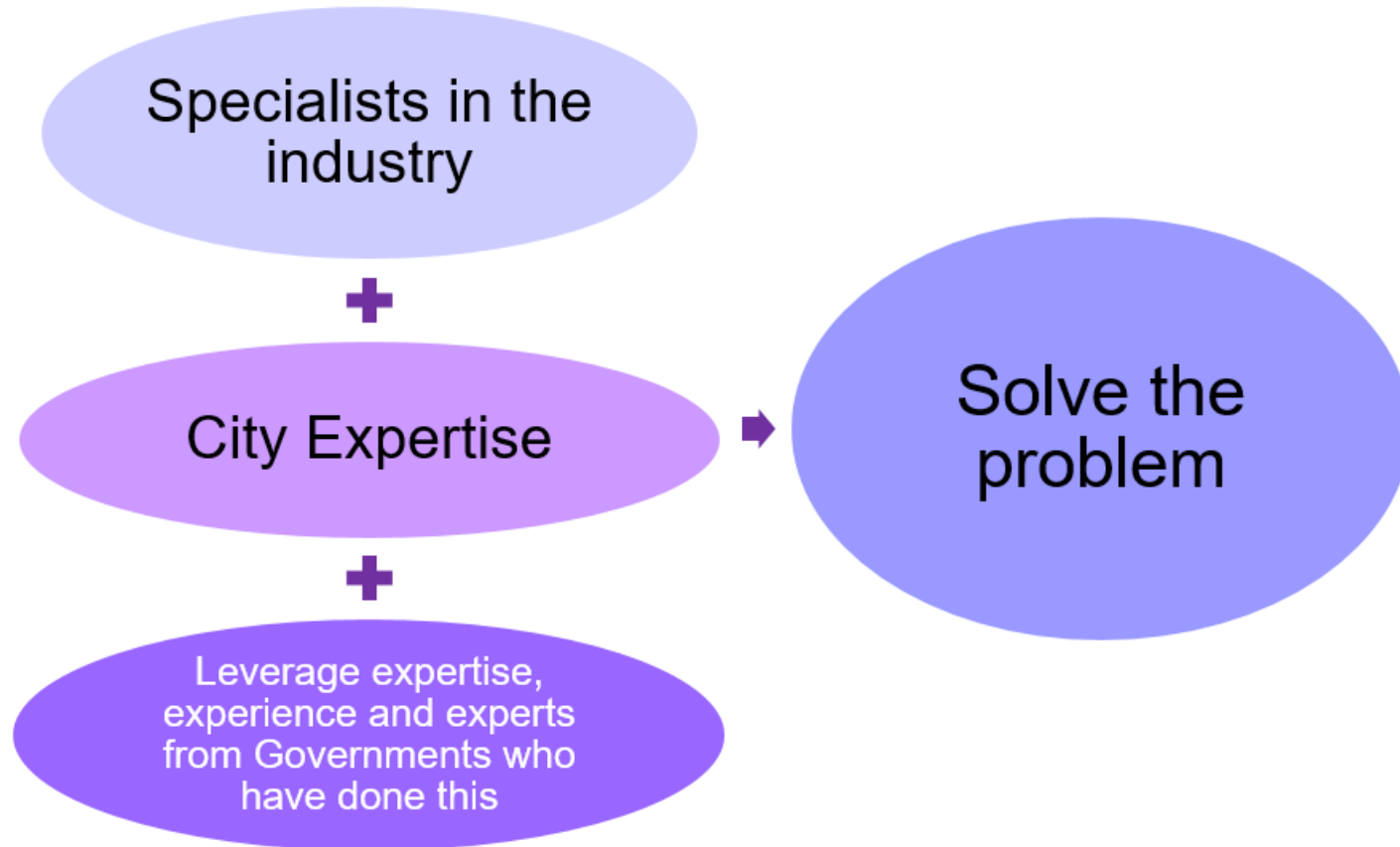
Recurring Issues Across City Divisions

- 1. Lack of a comprehensive collections strategy**, including the inconsistent or ineffective use of available collection tools
- 2. Inadequate data systems or data tracking** to support collection strategy
- 3. Insufficient performance targets and/or reporting** to allow management to monitor and refine collection strategy

Transforming Collections Management City-Wide



One Suggested Approach – “Sharing The Problem”





How the recommendations
will benefit the City

Need for City-Wide Coordination of Delinquent Receivable and Revenue Collection Management

Overall goal:

1. Maximize revenue collection
2. Minimize cost per dollar collected
3. Enable effective reporting and measurement

Wrap-Up

Deters offences
more effectively &
administer justice

Provides public
with assurance that
laws are effective

31
recommendations

Bring in more \$ for
the City

More effectively
fulfill enforcement
responsibility

Questions