

APPENDIX 1

**CONTROLS OVER PARKING TAGS
NEED STRENGTHENING**

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 **TORONTO** Auditor General's Office

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EXECUTIVE SUMMARY

Why we conducted this audit

The Auditor General's Audit Plan included a review of the City's major revenue streams. We selected parking tag revenues because of the significant amount of funds generated from this source. The annual value of parking tags issued is in the range of \$110 million.

Audit Objectives and Scope

The objective of this review was to determine the adequacy of controls over the administration, collection and cancellation of parking tags at the City's Revenue Services Division.

The Toronto Police Service, through its Parking Enforcement Unit issues the majority of the City's parking tags each year. A small percentage of the tickets are issued by trained Municipal Law Enforcement Officers. This review did not include the operations of the Toronto Police Services Parking Enforcement Unit.

The Auditor General has had discussions directly with the Chief of Police and, in this context, a high level review of the parking tag enforcement process will be conducted in 2010.

This audit is the second review performed by the Auditor General's Office related to parking tag administration. In 1998, the then City Auditor issued a report entitled "Review of Parking Tag Operations." This report contained 19 recommendations, the majority of which have been implemented. Still outstanding continues to be two recommendations relating to parking tags issued to out-of-province vehicles, as well as parking tags for drive-away vehicles. Both of these require legislative change. We have addressed both of these issues in this report.

The primary purpose of the City parking tag program is to assist in deterring illegal parking and facilitate the free flow of traffic. Funds collected through the parking tag program are a source of revenue that offset program costs.

The value of parking tags has increased 75% from 1998 to 2008

In 1998, the City issued 2.6 million parking tags valued at \$63 million. Since that time, the number of parking tags issued has increased from 2.6 million to 2.9 million or 12 per cent. The value of parking tags issued in 2008 exceeded \$110 million, an increase of 75 per cent from 1998.

Our audit provides recommendations for improvement in the following areas:

- Parking Tag Cancellations
- Follow-Up on Outstanding Parking Tags
- Revenue Control Improvements
- Information Technology Controls

Parking Tag Cancellations

60% of the tags issued are collected in the year issued

Approximately 60 per cent of parking tag revenue is collected in the year issued. Twenty per cent of tag revenue is collected in subsequent years. City staff cancel 15 per cent of tags issued for various reasons and approximately 5 per cent of parking tags remain outstanding.

425,000 tags valued at over \$18 million were cancelled in 2008

In 2008, of the 2.9 million tags issued, the City cancelled 425,000 parking tags valued at over \$18 million. Tags are cancelled for various reasons. In many instances, tags are cancelled due to circumstances beyond the City's control. For example, tags are cancelled for drive away vehicles due to legislative requirements. The City also cancels parking tags issued to out-of-province vehicles because owner address information is not available.

While significant internal controls exist in relation to the cancellation of parking tags, our review identified a number of areas where controls can be further improved. Further, while it is possible to reduce the number of cancelled parking tags, it can only be done through amendments to provincial legislation.

Follow-up on Outstanding Parking Tags

As of December 2008, 3.4 million parking tags valued at \$103 million are reflected as outstanding in the Parking Tag Management System. This amount includes parking tags issued to out-of-province vehicles as well as tags issued to "drive-aways". The collection of out-of-province parking tags is unlikely, while the collection of tags relating to "drive-aways" is not possible based on current legislation. The outstanding amount also includes tags issued to individuals who may have moved out-of-province, deceased or who have surrendered their driving privileges.

Our review identified areas which should be addressed.

- The vehicle plate denial process requires further strengthening. Plates cannot be renewed if unpaid parking tags exist on the plate being renewed. A significant number of outstanding parking tags are in plate denial even though the license plate is overdue for renewal.
- Only 7.5 per cent of the amounts forwarded to collection agencies have been collected during the past two years. The collection agency process requires improvement.

Revenue Control Improvements

Revenue control improvements include the need to:

- Implement changes in payment processing to avoid accepting duplicate payments and minimizing refunds
- Pursue legislative changes and automate process for recovering service charges for dishonoured cheques.

Information Technology Control Improvements

Information technology control improvements include:

- Improving computer system change control processes
- Implementing a formal process for reviewing computer system access controls and authorized users.

Potential Increased Revenue Opportunities

Depending on the success of negotiations with the Province and other third parties, there are opportunities to increase revenues in the administration of parking tags. On a conservative basis assuming that the number of drive-aways could be reduced by 50 per cent, the potential of increased revenues to a level of over \$2.5 million is likely attainable. Further, if the City were able to recover 25 per cent of out-of-province tags a further \$1 million in revenue would be possible. These are significant amounts.

While we have not reviewed the impact of the use of the hand held ticket writing equipment, there can be no doubt that this equipment has had a positive impact on the ticket issuing process. Management indicates that it has significantly reduced the error rate in the ticket writing process as well as reduced the number of drive-aways. In 2008, the reduction in both ticket errors and the reduction in drive-aways amounted to a decrease in the cancellation of 30,000 tags. At \$30 a tag, this equates to approximately \$900,000 in increased revenue. It should also be noted that this equipment has likely led to efficiencies in processing and significant administrative savings.

Our audit observations and recommendations are provided in the Audit Results section of this report.

Finally, the Auditor General issued a separate letter to management detailing other less significant issues that came to our attention during the audit. In addition, we also reported issues relating to parking tags awaiting court trials in a separate management letter to the Treasurer.

BACKGROUND

Parking enforcement activities regulate movement of traffic and help ensure public safety

The City enforces provincial legislation and various City parking by-laws to regulate the movement of traffic and to help ensure public safety. Predetermined fines established for parking related offences serve as a deterrent to illegal parking. The majority of parking tags issued are for a basic charge of \$30 while fines for violations relating to parking near a fire hydrant, on a fire route or in a disabled parking space can range as high as \$450.

The Toronto Police Service issues over 90% of City parking tags

The Toronto Police Service, through its Parking Enforcement Unit, issues the majority of parking tags. A small percentage (under 10%) of parking tags are issued by trained Municipal Law Enforcement Officers. Municipal Law Enforcement Officers are independent private agencies trained and certified by the Toronto Police Service to issue parking tags on private property.

The Parking Tag Operations Unit administers the parking tag process

The Parking Tag Operation Unit of the City Revenue Services Division administers the collection and follow-up of parking tags. This unit manages four “first appearance facilities” that accept payments and trial requests for contested parking tags. Vehicle owners may submit trial requests to the Court Services Division for scheduling trial dates.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Why we conducted this review

Our 2008 Audit Plan included a review of major City revenue streams. We selected Parking Tag Revenues because of the significant amount of funds involved.

Objectives of the review

The objectives of our review were to ascertain the adequacy of controls over the administration of parking tags and in particular:

- controls on collection and processing of parking tags
- controls on cancellation and adjustment of parking tags
- controls on follow-up of outstanding parking tags.

This review focused on parking tag collection and follow-up processes administered by the City Revenue Services Division. Our review did not include the activities of the Toronto Police Service Parking Enforcement Unit.

The Auditor General has had discussions directly with the Chief of Police and, in this context, a high level review of the administration of the parking tag process, which is the direct responsibility of the Toronto Police Service, will be conducted in 2010.

Steps in the review

Our audit methodology included:

- A review of policies and procedures
- A review of Council reports
- Interviews with Revenue Services staff and other relevant City staff
- Discussions with other municipalities including Calgary, Halifax, Edmonton and Vancouver
- Discussions with officials from the Ministry of Transportation and collection agencies contracted by the City to collect outstanding parking tags
- Discussions with management from the Corporation responsible for the operation of the 407 electronic toll highway (407 International Inc.).

We conducted this audit in accordance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

A. CONTROLS OVER PARKING TAG CANCELLATIONS REQUIRE IMPROVEMENT

During the two-year period from 2007 through 2008, 860,000 parking tags were cancelled. The value of these cancelled parking tags is almost \$35 million. Table 1 provides information relating to parking tags issued and cancelled during that period.

Parking tags are cancelled for various reasons. In many instances, the cancellations are due to circumstances beyond the City's control. For example, tags are cancelled for drive away vehicles due to legislative requirements. The City also cancels parking tags issued to out-of-province vehicles because owner address information is not available.

The City's collection rate is in the range of 80 per cent annually and is similar to those of other large municipalities.

**Table 1: Parking Tags Issued and Cancelled
2007 - 2008**

860,000 tags valued at almost \$35 million have been cancelled during the past two years

Year	Issued		Cancelled		
	# of Tags (000s)	Amount (\$000s)	# of Tags (000s)	Per cent of Total Issued	Amount (\$000s)
2008	2,903	\$110,627	425	14.6	\$18,357
2007	2,888	97,731	435	15.1	16,544
TOTAL	5,791	\$208,358	860		\$34,901

Parking tag cancellations are issued for a variety of reasons. Table 2 provides major categories of cancelled parking tags over the past two years.

Table 2: Parking Tag Cancellations

Cancelled parking tags approximate 15% of all tags issued

	2008		2007	
	# of Tags (000s)	\$ (000s)	# of Tags (000s)	\$ (000s)
Drive-away vehicles	111	\$4,805	119	\$4,530
Vehicles Registered Outside Ontario	93	4,023	91	3,452
Discretionary Cancellations	12	528	12	475
Missing Documents	7	317	11	411
Delays in Preparing Court Trial Documentation	11	449	23	863
Delivery Vehicles	21	900	28	1,066
Parking Tag Errors	83	3,601	105	3,998
Other – Various Categories*	87	3,734	46	1,749
Totals	425	18,357	435	16,544

*Other – Various Categories include roadwork or utility cut construction in process, missing 'No Parking' signs, valid documentation provided.

A.1 Parking Tags Issued to Drive-Away Vehicles

Provincial legislation requires the physical placement of parking tags on the offender's vehicle or by direct hand delivery in order to be enforceable. The City cannot pursue payment of tags not directly served to offenders.

Over 111,000 tags valued at almost \$5 million were cancelled in 2008 due to drive-away offenders

Drive-away vehicles are the largest tag cancellation types each year. In 2008, drive-away vehicles accounted for over 111,000 cancelled tags valued at \$4.8 million. The number of drive-away tags in 2007 were in the range of 119,000, a decrease of approximately 8,000 tags.

Vancouver and Edmonton mail parking tags to drive-away offenders

We contacted officials from Vancouver and Edmonton to determine their practices related to the issue of parking tags to drive-away offenders. We understand that provincial legislation in each of these jurisdictions allows the mailing of parking tags to the vehicle-owner's registered address. In both cities, if the offender fails to make a court appearance or pay the ticket, the court issues an automatic guilty plea and imposes additional fines. The City of Toronto had reviewed a similar process in previous years but was unsuccessful in proceeding since mailing of notices to drive-away offenders requires a change in legislation.

In order to pursue drive-away offenders and enforce collection on parking tags issued, Ontario provincial legislation needs to be amended. In view of the significant amount of funds involved, this issue should receive priority.

Recommendation:

- 1. The Treasurer, in consultation with the City Solicitor, request amendments to provincial legislation pertaining to the issue of parking tickets related to drive-away vehicles. The requested amendments allow parking tags to be mailed directly to registered vehicle owners.**

A.2 Parking Tags Issued to Vehicles Registered Outside Ontario

The City is unable to follow-up on outstanding parking tags for vehicles registered outside of Ontario due to the lack of registered vehicle-owner address information. The City cancels parking tags issued to these vehicles unless paid voluntarily by the vehicle owner.

In 2008, over 93,000 parking tags exceeding \$4 million cancelled for vehicles registered outside of Ontario

In 2008, the City cancelled 93,000 tags exceeding \$4 million for vehicles registered outside of Ontario. On average, 85 per cent of parking tags issued to out-of-province vehicles remain unpaid and are subsequently cancelled. This is a long outstanding issue at the City.

In 2007, in an effort to collect parking tags issued to out-of-province vehicles, the City initiated a pilot project with several American states including New York, Pennsylvania, Maine and Ohio. The pilot project provided for an exchange of vehicle-owner address information. In 2008, City management determined that the project was not cost effective due to the significant administrative work and cost in collecting the necessary information.

In April 2009, Council approved the discontinuation of the out-of-province parking ticket collection process because the cost of the program exceeded revenues realized. Council also approved that the Province of Ontario be requested to continue negotiation of data transfer and data exchange agreements by the Province of Ontario with other provincial and state governments as this remains an effective and viable option. The report tabled in November 2009 indicates that the City will continue to work with the Federation of Canadian Municipalities and the Big 12 Police Services Boards in Canada in order to secure support for data-exchange agreements with other jurisdictions.

While we support these initiatives, the City should also consider reviewing best practices in other organizations including the collection methods used by 407 International Inc., the company that manages the operation of the 407 Highway in connection with out-of-province road toll charges. During our discussions with management of 407 International Inc., we were advised that 407 International Inc. has entered into various agreements with organizations such as the Canadian Council of Motor Transport Administrators in Canada and in the United States with various vehicle licensing authorities to obtain vehicle-owner address information. 407 International Inc. uses this information to mail toll charge fees to out-of-province drivers. We have not been able to determine the success rate of this initiative as this information is not available to the public.

In addition, we were further advised that 407 International Inc. uses collection agencies to collect revenue for out-of-province vehicles. The minimum threshold for the collection of revenue is \$30, which is in the range of the City's average parking tag amount.

Recommendation:

- 2. The Treasurer review the practices currently adopted by 407 International Inc. in connection with the collection of out-of-province receivables. Such a review also include the practices of other jurisdictions. Further, the Treasurer review the potential use of collection agencies. If required, requests for amendments to provincial legislation be made in order to facilitate the collection of out-of-province receivables.**

A.3 Discretionary Cancellations and Missing Documents

First appearance facilities accept payments, process trial requests and address parking tag disputes.

In 2008, of the 425,000 cancellations, the City's "discretionary cancellations" at first appearance facilities totalled 12,000 parking tags valued at over \$500,000. These cancellations are categorized as "discretionary" because City staff are allowed to exercise a degree of judgement in cancelling parking tags. Examples in which tags are cancelled relate to bylaw exemptions, missing signs, educating first time offenders and medical emergencies.

The Revenue Services Division has developed guidelines to waive fines in this cancellation category. However, current policies and procedures do not adequately specify the documentation requirements to support the cancellation. In some cases, when cancelling parking tags certain staff obtain documentation to support the offender's claim while others cancel tags without requiring documentation.

There is a need to evaluate the criteria in regard to discretionary cancellations in order to ensure that such cancellations are valid, consistent and appropriately supported.

Ten per cent of our sample did not have supporting documentation

We randomly sampled 600 parking tags cancelled for varying reasons, dates and at different first appearance facilities. Our review identified 58 cancelled parking tags or 10 per cent of the selected sample with inadequate documentation to support cancellations. Consequently, we were not able to verify the appropriateness of the cancellations. Supervisory review is also important to ensure that all cancellations are appropriate. The review of management reports summarising discretionary cancellations on an employee-by-employee basis should be part of this review process.

In 2007 in response to a call to the fraud and waste hotline, we reviewed the issue of missing documentation particularly missing trial request forms.

City staff, in 2007, cancelled 11,000 parking tags valued at over \$410,000 due to missing trial request forms. In February 2008, the Auditor General issued a report to management related to a review of cancelled parking tags. In that report, the Auditor General recommended:

“the Director, Revenue Service, implement a comprehensive controls program in the Pre-Court Filing Unit to ensure:

a) Completeness of documentation:

- *staff maintain all documentation for parking tag cancellations in secure files and supervisory staff, on a test basis, verify the supporting documentation;*

b) Daily reconciliation of documentation:

- *staff reconcile Request For Trial forms received from First Appearance Facilities daily; and*
- *all parking tag cancellations are reconciled to the Daily Totals Report; and*

c) Appropriate supervisory review:

- *Staff submit proposed parking tag cancellations for supervisory review and sign off.”*

Staff have taken steps to implement the 2008 recommendations and as a result parking ticket cancellations due to missing trial request forms have decreased by approximately \$100,000.

Recommendation:

- 3. The Treasurer re-evaluate the criteria supporting the discretionary cancellation of parking tags. Policies and procedures concerning the preparation and retention of documentation in support of cancellations be developed. Supporting documentation be randomly reviewed by supervisory staff. In addition, management reports be developed and reviewed on an ongoing basis to identify anomalies and trends.**

A.4 Delays in Compiling Pre-Court Filing Documents

Provincial legislation requires that the City submit pre-court filing documents to the Court Services Division for disputed parking tags within 75 days from the tag issue date. Delays in submitting documents for requested trials results in parking tag cancellations.

In 2008, the City cancelled 11,000 parking tags valued at approximately \$450,000 due to delays in completing pre-court filing documents.

Manual filing as required by provincial legislation is a cumbersome process and could be improved by automation

The compilation of pre-court filing documentation is a manually cumbersome process. Three full-time staff members prepare parking tag documentation for trial.

Staff members review pre-court filing documents for accuracy prior to submission to Court Services. The number of trial requests has increased over the past several years. For example, in 2006, 125,000 parking tags resulted in trial requests, while in 2008, requests for trial almost doubled to approximately 248,000.

The use of computer technology would improve the efficiency of the process. Rather than physically compiling and attaching multiple documents, staff could submit electronically merged documents to the Court Services Division.

The process of electronically merging documents would require amendment to the provincial legislation and coordination between the Revenue Services Division, Court Services and the Ministry of Transportation. Similarly, automating trial requests at first appearance facilities will result in a certain amount of time savings and will resolve issues pertaining to missing trial request forms that ultimately result in the cancellation of tags.

Recommendation:

- 4. The Treasurer, in consultation with the Chief Information Officer, review the potential of automating certain aspects of the documentation requirement process as it pertains to pre-court filing documents and request for trials. Such a process should be conducted in consultation with the City Solicitor in order to ensure that the automation of certain processes is not contrary to legislation and, if required, amendment to the provincial legislation be requested.**

A.5 Parking Tags Issued to Delivery and Courier Companies

21,000 tags valued at approximately \$900,000 pertaining to delivery/courier companies were cancelled in 2008

Parking tags issued to delivery and courier companies amounting to over \$900,000 were cancelled in 2008. Tags are cancelled when proof is provided that these companies were on delivery at the time the tag was issued. The provisions of the Ontario Highway Traffic Act currently allow vehicles to park momentarily for loading and unloading merchandise or passengers.

The issue of the parking tag and its subsequent cancellation is a significant administrative cost. While we appreciate that the parking enforcement process requires the issue of such tickets due to the provisions of the Highway Traffic Act, the City needs to evaluate as to whether or not there are other options available to reduce the current administrative burden.

Recommendation:

- 5. The Treasurer review the parking enforcement process as it relates to the issue and cancellation of parking tags for delivery and courier vehicles. Such a review include an evaluation of best practices in other Canadian and US jurisdictions. If required, amendments to provincial legislation be requested.**

A.6 Parking Tags Cancelled Due to Parking Tag Errors

83,000 tags valued at \$3.6 million were cancelled in 2008 due to parking tag errors

The Toronto Police Service through its parking enforcement unit issues the majority of parking tags. The City cancelled 83,000 parking tags valued at \$3.6 million during 2008 due to errors in writing the tag. This amount has been significantly reduced from the 105,000 tags cancelled in 2007. The substantial decrease has been due to the use of the hand held parking ticket writers introduced by the Toronto Police Service in 2007. Errors such as incorrect street spelling, vehicle make, model and plate expiration date have been significantly reduced.

The Auditor General has had discussions directly with the Chief of Police and, in this context, a high level review of the administration of the parking enforcement tag issuing process will be conducted in 2010.

A.7 Other Issues – Controls on Parking Tag Adjustments Require Strengthening

A significant number of parking tag account adjustments are required to correct data entry errors. These include common data entry errors such as when payment and account information is applied to the wrong account. Policies and procedures requiring supervisory review and documentation related to these adjustments do not exist and need to be developed.

We randomly selected one month of parking tag transactions at one location and were unable to reconcile 21 of 29 adjustments

Annual correction and adjustment amounts vary from year to year. A total of 14,000 adjustments occurred in 2008. We randomly selected one month of parking tag adjustment transactions at one location and were unable to reconcile 21 of 29 adjustments. Staff did not document payment transfers from one account to another in the Parking Tag Management System. The absence of supervisory review and lack of adjustment tracking are control weaknesses that may result in the risk of unauthorized adjustments or loss of revenue.

Recommendation:

- 6. The Treasurer direct all staff that parking tag adjustments processed through the Parking Tag Management System are appropriately documented and that each adjustment be accompanied by an appropriate audit trail. Such documentation be reviewed on a random basis by supervisory staff.**

B. OUTSTANDING PARKING TAGS: COLLECTION PROCESS NEEDS IMPROVEMENT

As of December 2008, the Parking Tag Management System reflected 3.4 million parking tags valued at \$103 million as outstanding. An analysis of this amount is as follows:

Tags issued in 2008	\$24 million
Tags issued in 2007	\$9 million
Tags issued in 2006	\$5 million
Tags issued in 2005	\$5 million
Prior years (1989 – 2004)	\$60 million

City accounting records do not reflect the full amount of these unpaid tags as the \$103 million includes outstanding tags pertaining to drive-aways, tags issued to out-of-province vehicles, offenders who moved out of province or deceased, and those that surrendered their driving privileges. The chances of collecting these amounts are remote.

The City's outstanding parking tags as reflected in the City's accounting records are in the range of \$38 million. It is anticipated that this amount will be ultimately collected. This accounting treatment has been reviewed and accepted by the City's external independent auditors.

B.1 Parking Tag Receivables Outstanding Beyond the Two-Year Licence Renewal Period

In order to renew vehicle registration plates in Ontario, payment of all outstanding parking tag fees is required. The City and the Ministry of Transportation have agreed to deny registration plate renewal for vehicle owners owing outstanding parking tag payments.

Two million tags valued at \$62.5 million outstanding for more than three years are in plate denial status

Licence plates can be renewed either annually or every two years. Consequently, if the system is functioning effectively, outstanding receivables in excess of two years should be minimal.

However, based on City records, approximately two million tags valued at \$62.5 million belong to over 335,000 vehicle registrations in plate denial status for three years.

Among the reasons for the high number of tags in plate denial are the following:

- Vehicle owners may decide not to renew plates
- Vehicle owner may relocate to a new address
- Vehicle owners are deceased
- Businesses and automobile dealers may apply for new plates instead of renewing existing plates.

The plate denial process has been successful in collecting outstanding parking tags. However, there are still a large number of parking tags outstanding beyond the two-year plate renewal period. There is a need to evaluate this process to further maximize its effectiveness.

Recommendation:

- 7. The Treasurer review the current plate denial process. Such a review take place in consultation with the Ministry of Transportation and focus on the reasons why significant receivables continue to be outstanding beyond the two-year licence plate renewal period. Improvements identified be implemented in order to maximize the effectiveness of the plate denial system.**

B.2 Opportunities to Further Improve the Collection Process

A large number of plate owners are businesses with multiple parking tags outstanding

A significant number of outstanding parking tags belong to businesses that owe multiple outstanding parking tags. For example, our analysis indicated some businesses owe over 500 tags. These businesses include Ontario numbered companies, car rental companies, vehicle dealerships, as well as courier and delivery companies. One business owes \$70,000 on over 2,000 parking tags. The City does not have a process to monitor and follow up on parking tags related to individuals and businesses that owe multiple outstanding parking tags.

Recommendation:

- 8. The Treasurer review the parking tag collection process, prioritise those receivables which relate to individuals and entities who have significant receivables owing on multiple plates and consider conducting corporate searches to identify these entities. Once identified the appropriate follow-up process be conducted including the use of collection agencies specifically directed to these accounts.**

B.3 Collection Agency Process Requires Improvement

Only 7.5% of parking tag receivables forwarded to collection agencies collected during the past two years

The City uses two collection agencies to follow up on outstanding parking tags. In January 2007, the City assigned \$18.5 million related to over 270,000 parking tags outstanding for more than three years to two collection agencies. The City provided outstanding parking tags for accumulated amounts exceeding \$300 per individual registration plate for up to eight years to collection agencies.

Since that time, collection agencies have collected only \$1.4 million or 7.5 per cent of the amounts forwarded to them.

The following areas need to be addressed so as to improve the collection of outstanding parking tags.

- **The City's inability to provide address information to collection agencies**

Contractual restrictions with the Ministry of Transportation exist which prevent the City from providing vehicle-owner name and address information to collection agencies.

Providing address information to collection agencies would result in more timely collection

Collection agency representatives indicate that the collection process would be more effective and efficient if the City was able to provide vehicle-owner address information. The \$14 per plate number fee paid to the Ministry of Transportation by collection agencies for vehicle-owner name and address is an added collection cost.

407 International Inc. has an arrangement with the Ministry of Transportation to share registered plate owner information with collection agencies for collecting outstanding road toll charges. The City does not have such an agreement with the Ministry.

- **Incomplete outstanding parking tag information provided to collection agencies**

The information provided to collection agencies relates to amounts outstanding on an individual registration plate. The minimum amount submitted to the collection agencies on a per plate basis is \$300.

We identified multiple registration plates belonging to the same owner with varying outstanding parking tag amounts. Instead of providing all registration plates belonging to accounts meeting the Council's collection agency follow-up criteria, the City provided only those registration plates individually exceeding \$300 to the collection agency. Conceivably, in an extreme circumstance, one entity with a balance of say \$299 on 200 separate plates would not be submitted to the collection agency.

Three-year collection agency data refresh cycle is too long and results in accounts too old to collect

We also noted that the City has not provided collection agencies with new data since January 2007. Management indicated that they provide data once every three years and collection agencies will receive new data in 2010. The three-year data cycle is not logical and results in certain accounts becoming too old to collect. For example, the outstanding parking tags approaching three years in 2007 would now be six years old. The City should provide data as soon as new accounts become eligible for collection agency follow-up.

Recommendations:

- 9. The Treasurer review the possibility of providing collection agencies with specific information including the names and addresses of individuals and companies with outstanding parking tags. Amendments to provincial legislation be requested, if required.**
- 10. The Treasurer review the extent of receivables submitted to collection agencies such that collection agencies are provided information on entities who have parking tags owing on more than one vehicle. Finally, the Treasurer consider providing collection agencies with more up to date receivable information.**

C. OTHER REVENUE CONTROL IMPROVEMENTS

C.1 Potential Cost Savings from Reducing Parking Tag Refunds

Controls are required to limit duplicate payments and save resources spent on processing unnecessary refunds

Accounting Services processes an average of 8,000 parking tag refunds in a year. Approximately 2,000 refunds are the result of duplicate payments and 6,000 refunds relate to the processing of refunds due to payments being made to the City for tags in plate denial.

The agreement with the Ministry of Transportation prevents the City from collecting payments for parking tags in plate denial with the Ministry. The Ministry collects payments for tags in plate denial and forwards these funds to the City. In situations where payment for parking tags in plate denial status are accepted by the City, the payments are required to be refunded.

The current check processing system is unable to identify duplicate payments and payments made for tags in plate denial with the Ministry. Additional processing of plate denial cheques, duplicate payments and related refunds results in unnecessary additional costs.

Recommendation:

- 11. The Treasurer, in consultation with the Chief Information Officer, review the current cheque processing system so that payments relating to tags in plate denial status and payments which have previously been made are identified more easily by those staff receiving payment. Such a process would reduce the administrative process of issuing refund cheques.**

C.2 Recovery of NSF Charges Needs Improvement

The City charges a \$35 fee for processing NSF cheques

The City charges a \$35 fee for processing NSF cheques. The City notifies the payer of the NSF cheque and the amount of the additional fee.

When parking tags are paid, the system does not identify the outstanding NSF charge which is also an outstanding payment.

Over 1,000 NSF cheque fees valued at over \$37,500 were not recovered over the past three years.

Recommendation:

- 12. The Treasurer review the merits of amending the cheque collection process so that NSF fees are clearly identified and subsequently collected. Amendments to provincial legislation be requested, if required.**

D. INFORMATION TECHNOLOGY CONTROLS REVIEW

The Parking Tag Management System manages the life cycle of a parking tag. The life cycle of a parking tag includes parking tag issuance, payment, cancellation, and in some instances request for trial. Our review of procedures in relation to information technology controls identified the following issues.

D.1 Inadequate Change Control Processes

Lack of separation of duties in information technology change management process

There are situations when changes to the Parking Tag Management System are required. Such changes include cancellation of tags over a certain dollar limit and correcting the processing status of parking tags. Supervisors in Parking Tag Operations request these application changes to the Revenue Services Information Technology Support Unit.

Standard information technology practices require that computer application development be separate from live maintenance and administration of a computer application. System developers should not install their own programs to the production environment. Lack of separation of duties carries the risk of unauthorized program changes made to information technology applications.

Standard information technology practices related to making changes to computer applications also recommend documenting the change control process to ensure a proper audit trail of system changes.

The Revenue Services Information Technology Support Unit does not provide adequate separation of duties between system developers and system installers. In addition, there are no policies and procedures addressing the change control process. The functions for program changes, development and execution remain with staff administering the application.

D.2 System Access Control, Monitoring and Documentation Need Improvement

A formal process for periodic review and update of system access controls and the authorized user list does not exist

A formal process for periodic review of system access controls and the authorized user list does not exist. The process occurs on an ad-hoc basis as and when a termination or transfer is identified. This method is subject to error and omission and lack of access controls could result in unauthorized system access.

We reviewed the list of all active Parking Tag Management System users and identified the following issues:

- Employees with duplicate system access identification numbers
- Employees with unnecessary administrative system access
- Individuals no longer employed with the Parking Tag Operations Unit who have access to the Parking Tag Management System.

Recommendations:

- 13. The Treasurer develop a formal change control process. Application development should be separate from system administration, and developers should not install their own programs to the production environment.**
- 14. The Treasurer develop and implement a formal access control and review process. A review of user access should occur periodically and unauthorized users deleted from the authorized user list.**

CONCLUSION

This report contains 14 recommendations related to improvements in the management and administration of parking tags. The Revenue Services Division should resolve long outstanding matters with the Ministry of Transportation.

Our review identified opportunities for minimizing the cancellation of parking tags, improvements in follow-up on outstanding parking tags, revenue controls and information technology policies and practices.