

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

**Date:** March 10, 2017

**To:** Audit Committee

**From:** Audit General

**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

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This report involves the security of property belonging to the City or one of its agencies or corporations.

### **SUMMARY**

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The Audit General launched this review in response to a complaint received by the Fraud and Waste Hotline. It was alleged that certain Toronto Building Division's cash receipts were misappropriated. The Division utilizes the Integrated Business Management System (IBMS) to record and process various types of service requests, including cash receipts related tasks.

Our examination did not find sufficient evidence to substantiate the allegation. However, we noted several system control deficiencies and improvement opportunities during the course of our investigation.

### **RECOMMENDATIONS**

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The Audit General recommends that:

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.
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.
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.
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 either prompt refunds or 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.
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.
7. City Council adopt the Confidential Recommendation contained in the Confidential Attachment 1 to this report.
8. City Council authorize the public release of the Confidential Recommendation and information contained in the Confidential Attachment 1 to this report at the discretion of the City Solicitor in consultation with the City Manager.

## **COMMENTS**

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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.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Auditor General's Report, Toronto Building Division - Strengthening System Controls to Safeguard Cash Receipts

Confidential Attachment 1 - Confidential Information: Toronto Building Division Strengthening System Controls to Safeguard Cash Receipts