



City of Markham

Property Tax Revenue Audit – Follow Up

October 2, 2017

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October 2, 2017

Mayor and Members of Council,

I am pleased to present the Property Tax Revenue Audit Follow-Up Report ("Follow-Up Report") of the Auditor General for the City of Markham. This Follow-Up Report provides a status update on management's remediation of the observations and recommendations made in the Property Tax Revenue Audit Report issued October 26, 2016.

On October 26, 2016, the Property Tax Revenue Audit Report was issued, evaluating the City's property tax revenue processes and internal controls. Based on the audit, it was determined that the City had adequate procedures in place over the process; and, the audit found robust, efficient and effective controls surrounding property tax billing and collection. Noted areas of strength included internal controls with respect to tax base changes, arrears management and segregation of duties; use of automation; and, accessibility to information and transparency.

The results of the audit identified two low priority observations, which included enhancement of process documentation with more detailed procedural information for key steps within each property tax sub-process; and, implementation of a centralized checklist to ensure evidence exists regarding the completion of all key control activities.

As part of the Auditor General's audit plan, we conducted follow-up procedures to determine the status of, as well as an evaluation of the effectiveness of, management's activities to remediate the two observations identified in the 2016 audit. This Follow-Up Report also provides any additional recommendations, if necessary.

The Follow-Up Report was discussed with the City of Markham's management and executive leadership team, who have reviewed and provided their responses within, as applicable.

This Follow-Up Report will be posted on the City of Markham's website and made available to the public after tabling to Council.

Sincerely,

A handwritten signature in black ink, appearing to read 'Geoff Rodrigues', with a stylized flourish at the end.

Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP
Auditor General, City of Markham

REMEDIATION STATUS

#	Observations, Recommendations and Management Timeline (from October 26, 2016 Audit)	Initial Rating	Remediation Overview and Further Auditor General Recommendations	Status
1	<p><u>Property Tax Procedural Documentation</u></p> <p>1a. While process documentation (i.e. process maps) exists over the property tax revenue process, detailed procedural documents (i.e. swim lanes) outlining roles and responsibilities around key tasks do not exist for the following property tax sub-processes:</p> <ul style="list-style-type: none"> i. Data Exchange; ii. Tax Billing; iii. Supplementary Assessments; and, iv. Collections, Remittances and Arrears. <p>1b. The following documents do not clearly identify process owners or individual responsibilities for significant processes:</p> <ul style="list-style-type: none"> i. Arrears Management Policy – Provides a high-level overview of the City's processes surrounding arrears, including addressing legislative requirements in dealing with tax sales of properties; and, ii. Point of Sale ("POS") Terminal Manual – Addresses cash processing procedures relating solely to POS activities, excluding other payment methods processed by the City. <p><u>Recommendations</u></p> <p>1a. Procedures should be documented for each property tax sub-process, in sufficient detail to facilitate staff training and provide guidance over standard operating procedures ("SOP") including swim lanes to outline roles and responsibilities around key tasks.</p> <p>The documentation should reflect the key controls in place to ensure the effective operation of the process, especially in the event of staff attrition (i.e. departures or absences).</p> <p>As a best practice, process documentation should be reviewed and updated on a periodic basis (at least annually) by City staff and the executive</p>	L	<p>1a. The City has updated its property tax revenue process procedural documents to include roles and responsibilities (i.e. swim lanes) for the following property tax revenue sub-processes:</p> <ul style="list-style-type: none"> i. Data Exchange; ii. Tax Billing; iii. Supplementary Assessments; and, iv. Collections, Remittances and Arrears. <p>The City has also updated Property Tax Revenue procedural manuals to provide guidance and facilitate staff training.</p> <p>1b. The City has updated its Arrears Management Procedures and the Point of Sale ("POS") Terminal Manual to identify the roles and responsibilities of process owners and participants within the processes.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete

#	Observations, Recommendations and Management Timeline (from October 26, 2016 Audit)	Initial Rating	Remediation Overview and Further Auditor General Recommendations	Status
	<p>leadership team, in order to ensure continued accuracy, relevance and completeness of procedures performed by City staff.</p> <p>Management Timeline: Q3 2017</p> <p>1b. Policies and manuals should outline process owners or individual responsibilities for all significant processes. In accordance with the City's Corporate Policy Framework, policies and manuals should continue to be updated by relevant sponsors (i.e. Directors), reviewed by all Commissions/Departments affected by the policy/manual, and approved by the appropriate approving authority (as per the policy template) at least every five years or whenever significant changes to the documents are necessary, to remain relevant, current and support the achievement of desired objectives.</p> <p>Management Timeline: Q4 2017</p>			
2	<p><u>Property Tax Completion Checklist</u></p> <p>While the property tax department maintains physical evidence for the initiation, review and authorization of key steps in the property tax revenue process relating to legislative requirements, remittances and cash receipts, a centralized document is not utilized to ensure the completion of each step.</p> <p><u>Recommendations</u></p> <p>A centralized checklist should be maintained to ensure all key control activities in each of the property tax sub-processes are consistently and completely executed.</p> <p>Management Timeline: Q4 2016</p>	L	<p>The City has prepared and implemented a centralized checklist which tracks the completion of the Property Tax revenue process key control activities. Management is currently completing the checklist for the 2017 property tax revenue cycle.</p> <p><u>Further Auditor General Recommendations</u></p> <p>None.</p>	Complete



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