

City of Brampton Internal Audit – Property Tax
Private & Confidential

Audit Name	Property Tax		
Sponsor(s)	Alex Milojevic – Commissioner, Corporate Support Services; Nash Damer – Treasurer; Martin Finnegan - Sr. Manager, Revenue; Yvonne Kwiecien, Manager, Taxation & Assessment		
Business Unit(s)	Revenue - Taxation & Assessment	Date Issued:	October 26, 2023

1.0 Executive Summary

Audit rating: Processes around Property Tax activities were rated as "Improvement Required" (See **Appendix 2** for the criteria for audit report rating).

Based on our review of processes, reports, and sample testing, we observed the following strengths:

- Property taxes for City of Brampton, Region of Peel and School Boards are calculated accurately and in accordance with relevant legislation
- Assessment rolls are thoroughly analyzed and audited for property tax classification and assessment value accuracy
- Effective controls are in place to ensure property assessments from Municipal Property Assessment Corporation (MPAC) are uploaded accurately and completely in the tax billing system
- Property tax bills are accurate, distributed on schedule and in accordance with relevant legislation
- Rebate (low-income seniors and persons with disabilities, and for eligible registered charities) and tax deferral programs are administered effectively and in accordance with relevant legislation

Internal Audit staff discussed the following improvement opportunities with management:

- Electronic billing and online enrolment for pre-authorized payment plans are not available
- Building permit data transmitted to MPAC is not always complete or timely
- Mitigating controls over system user access are not in place
- Standard Operating Procedures (SOP) are not always reviewed or updated timely

Conclusion:

Overall, property tax processes are operating effectively, and adequate oversight is in place through reviews, reconciliations, and approvals. Property assessment rolls sent from MPAC are analyzed to ensure tax classifications, assessment values, and uploads of assessment data into the property tax software, TXM Tax Manager, are accurate, complete and timely. Property tax re-calculations performed by Internal Audit found that taxes were calculated accurately for all property codes and applied in accordance with relevant legislation.

The audit found no indication that any property tax policy or legislation was contradicted in the calculation, application, billing, or collection of property taxes.

However, we have noted the following findings that limit convenient options available to property owners and reduces the efficiency with which City staff administer property tax billing and collections:

- Electronic billing is not available to property owners as described in finding number 1i)
- Online enrolment for pre-authorized payment plans is not available to property owners as described in finding number 1ii)

Additionally, we also noted the following issues that impact the timing and completeness of information transmitted to MPAC which in turn, can cause delays in MPAC re-assessing the values of properties with closed permits and potential revenue loss to the City:

- Changes in building permit status is not automatically reported to MPAC as described in finding number 2i)
- Failed building permit uploads are not resubmitted to MPAC in a timely manner as described in finding number 2ii)

Property tax staff should work with IT staff to implement the capabilities needed to address the above findings, in order to better serve property tax payers, improve the completeness and efficiency of data sent to MPAC, and for the City to potentially capture additional property tax revenue due to increased MPAC assessment values.

Additionally, property tax staff should periodically review TXM transactions to ensure duties are properly segregated and to mitigate the risk of incompatible functions being performed by the same user. This is described in finding number 3. Property tax staff should also ensure that all policies and standard operating procedures are complete, current and approved and the City's website reflects the current policies and procedures. This is described in finding number 4.

Acting on the recommendations below will improve the City's administration of property tax and improve online services available to property owners.

2.0 Background, Objectives, and Scope

Background

Municipalities rely heavily on property taxes as a source of income. Property tax revenue is the single largest revenue source for the City of Brampton. In 2022, the City collected \$1.23 billion in property tax, which includes the City, the Regional Municipality of Peel and local school boards' portions. The City's portion was \$503M accounting for 51% of the City's total revenue.

The City of Brampton manages property tax billing and collection under the provisions of the Municipal Act, 2001 through its Taxation and Assessment function, part of the Revenue Division. Taxation and Assessment, led by the Manager, Taxation & Assessment, consists of the following two sections and employs 13 staff:

- The Tax Policy and Assessment section employs 5 staff and specializes in property tax analysis, tax policy, and assessment reviews.
- The Tax Services section employs 7 staff and is responsible for property tax collection, tax account management, and administration.

Taxation & Assessment is responsible for tax billing and collection for the City, the Regional Municipality of Peel, and the local school boards. Municipal tax rates are determined based on approved budgets. City Council then enacts a by-law to provide for the levy and collection of property taxes. The tax rate combines the City tax rates approved by Council, Region of Peel rate, and local school boards' rate as provided by the Ministry of Finance. Different tax rates apply to different classes of property (i.e. Residential, Multi-Residential, Commercial, Industrial, etc.).

Municipal Property Assessment Corporation (MPAC) determines the property's assessment value and classification. MPAC assesses properties every four years. The last property re-assessment was done in 2016, with any increase in re-assessed value phased in over four years (2017-2020) and decrease in re-assessed value applied immediately. Due to Covid-19, the 2016 re-assessment values were extended until 2023.

MPAC does not determine the tax rates that Municipalities apply to properties. Tax rates are calculated based on annual assessment information received from MPAC and the budgets of the City, Region of Peel and the local school boards. A Final Levy Report from the Senior Manager of Revenue and a by-law are submitted to Council for approval annually.

Property taxes are calculated by multiplying the Current Value Assessment of a property, as determined by the Municipal Property Assessment Corporation (MPAC), by the combined municipal, regional, and education tax rates for the applicable class of property.

Property Tax Processes Overview:

- **Data Exchange and MPAC Assessments:** MPAC is responsible for accurately assessing and classifying all properties in Ontario in compliance with the Assessment Act. The Annual Assessment Roll – a 19-digit number assigned by MPAC for identification purposes and contains the most up-to-date information about each property in Ontario, including owner and tenant information – is legislated to be provided to Cities on the second Tuesday following December 1st. Any property addition or improvement requires a building permit from the City. MPAC receives a monthly report of issued building permits and uses this information to determine supplementary assessment values. MPAC provides the City with supplementary assessment

rolls to reflect updated values. Assessment Review staff are required to continuously analyze assessments to ensure that taxes collected are based on appropriate assessment values.

- **Billing & Payments:** Property taxes are levied twice yearly by an interim and final notice bill. Interim property tax bills are issued in early December for accounts enrolled in the pre-authorized tax payment plan (PTP) program and early January for all other accounts and reflect 50 per cent of the previous year's taxes including any adjustment for supplementary taxes. The final billing is based on the current phased-in assessment value and reflects any changes in the municipal, regional or education portion of the taxes. It is completed in early June for residential properties and early July for non-residential. For properties that have been recently added or improved, supplementary billing will be issued approximately six times per year, based on when additional assessment data is provided by MPAC.

All taxpayers including residential and non-residential accounts receive an instalment tax bill or have the option to enrol in a PTP. The interim and final notice bills are payable in three instalments on or before the due date. For PTP account holders, both interim and final notice bills are payable in a maximum of six instalments (five instalments for non-residential) or on the same due date as the regular tax account holders. Property tax bills can be paid online, at a financial institution, by mail or in person at the Cashiers Office. Payments are uploaded daily to TXM (tax software) by Tax Services and payments are monitored by staff to ensure that payments are posted to the correct property roll number and that the account balances are updated. Staff also perform a daily reconciliation of all tax payments received and processed.

- **Request for Reconsideration (RfR) and Appeals:** Every property owner has the option to file a Request for Reconsideration (RfR) with MPAC, free of charge, if they disagree with their assessment. The deadline to file an RfR for each property tax year is stated on the assessment notice issued by MPAC. If a property is classified as residential, farm or managed forest, the property owner must first file an RfR with MPAC before they can file an appeal with the Assessment Review Board (ARB). The ARB is an independent tribunal (decision-making body) of the Ontario Ministry of the Attorney General and has its own appeal process.
- Under extenuating circumstances, property owners also have the option to file an application with the City for cancellation, reduction, or refund on all or part of taxes levied on their property, for any of the following reasons:
 - Tax class conversion
 - The land has become vacant or is now excess land
 - Property or part of property is now exempt
 - Property is damaged by fire, demolition or otherwise
 - Mobile unit on the property has been removed
 - Gross or manifest error – clerical or factual
 - Repairs /renovations to the land prevent normal use for more than 3 months during the year

If a property owner disagrees with the City's decision on an application, they can file an appeal with the Assessment Review Board.

- **Collections and Arrears:** Property Taxes are collected in instalments or by monthly payments (PTP). Property tax payments are first applied to any penalty/interest on account, and then to the oldest charges on the account. A penalty is added on the first day of default following an instalment due

date. Interest is calculated on arrears and added to the account on the first day of each month until the balance is paid. For outstanding balances, overdue notices are sent at least twice per year. The Corporate Collections function, under the Revenue division, is responsible for recovery of taxes in arrears for all overdue accounts of more than two years. Collection actions include issuing notices of overdue accounts, negotiation of payment arrangements, and assignment of warrants to bailiffs. If collection actions are not effective, the City will proceed to a Tax Sale, a recovery method to recover unpaid property taxes through the sale of the property.

The City uses TXM Tax Manager (TXM), a system developed and supported by the City of Mississauga, to process and record property tax data, calculate taxes receivable, generate billings, collect taxes, and maintain tax accounts. The TXM Tax Manager is used by multiple municipalities in Ontario and follows relevant Provincial legislation i.e., Municipal act, Assessment Act and various Ontario regulations.

The City also utilizes the Corporate Property Data System (CPDS) to integrate data from many core databases, giving the City a 'single view' of all activities occurring at a property and providing users with a secure and trusted view of property details. The core databases that feed data on the CPDS tax reports include AMANDA (Building), TXM (Tax), and Geographic Information System (GIS). The CPDS tax reports are submitted to MPAC to update property assessment values.

Objectives

The objective of this engagement was to evaluate the effectiveness of processes and controls around property tax and ensure compliance to legislation, policies, and procedures. The audit focused on assessing whether:

- The City's taxation and assessment processes are in compliance with the Municipal Act 2001, Ontario regulations and by-laws
- Property tax policies and Standard Operating Procedures (SOPs) are current and being followed
- Assessment base and growth is actively analyzed to ensure property information is accurate and billings are maximized
- Building permit data submitted to MPAC is complete, accurate and timely
- Assessment rolls provided by MPAC are properly reviewed to ensure data is complete and current
- Property tax billings are reviewed, approved and distributed on schedule
- Payments in Lieu of Taxes (PILT) are eligible, accurate and monitored
- Property tax deferrals are eligible and monitored
- Property tax refunds and rebates are valid, accurate and properly authorized
- The City follows the property tax appeal process, makes timely adjustments, and actively monitors appeals
- The City properly administers the property tax collection process and correctly applies interest to overdue accounts
- Access to relevant systems such as TXM is restricted to authorized users

Scope

Our audit focused on property tax processes from January 1, 2020 to December 31, 2022.

The following areas were **not** included in the scope of this audit:

- MPAC property valuations
- Setting of tax rate by the City, Region of Peel and local school boards
- Outsourced collection services
- Information technology general controls ("ITGCs") for related systems (TXM, AMANDA, GIS) outside of user access

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
1	<p>Lack of electronic billing and online enrolment for pre-authorized payment plans</p> <p>Our review of online services available to property taxpayers noted that certain common features in place at other municipalities are not available, including;</p> <p>i) Electronic billing is not available. Currently, all property tax bills are paper and mailed through Canada Post. Property taxpayers do not have the option to view bills online due to limitations of the current IT platform.</p> <p>Property tax owners can access the City's "My Property Tax" portal to view the total amount billed and overdue however, this does not show them the amount or due date of their next instalment, a common feature available to other municipalities.</p> <p>If a property tax bill is misplaced, the property owner must call 311, provide the necessary information and pay a user fee. Their information is then forwarded to the Property Tax team who reviews the request, prints and mails their paper tax bill.</p> <p>The current setup is inconvenient for many property taxpayers and results in additional costs</p>	P2	<p>City Council requests the Treasurer, in consultation with IT, to expedite the implementation of convenient online enrolment for pre-authorized tax payment plans and eBilling so that these features are available to City of Brampton residents by December 31, 2024.</p>	<p>PART#1a (Ref# i ONLY) - INTERIM SOLUTION (ONLINE BILL ACCESS) MANAGEMENT ACTION Provide an interim solution that will provide convenient online self-service access to property tax bills. <u>PERSON RESPONSIBLE</u> Program Manager, IT (Digital Innovation) <u>TARGET COMPLETION DATE</u> 2024/Q3</p> <p>PART#1b (Ref# ii ONLY) - INTERIM SOLUTION (PTP ONLINE APPLICATION) MANAGEMENT ACTION Provide an interim solution that will provide online self-service access to PTP Applications. <u>PERSON RESPONSIBLE</u> Manager, Taxation & Assessment <u>TARGET COMPLETION DATE</u> 2023/Q4</p> <p>PART#2 (Ref# i & ii) - BUDGET MANAGEMENT ACTION Finance to prioritize this initiative, submit a capital budget request to "Improve Online Tax Experience" and advocate for its approval as part of the City's 2024 capital budget process. <u>PERSON RESPONSIBLE</u> Nash Damer (Treasurer, Project Sponsor)</p>

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	<p>to the City. In 2022, approximately \$344K was spent to mail property tax bills.</p> <p>ii) Online enrolment for pre-authorized tax payment plans (PTP) is not available. Currently, all PTP applications must be printed from the City website, manually filled out, matched with a copy of a void cheque and mailed to the City where it is then manually processed by Property Tax.</p> <p>The current set up is inconvenient for many property taxpayers and discourages PTP enrolment. PTP payments are processed more efficiently and less prone to errors.</p> <p>According to the Municipal Benchmarking Network of Canada (MBNC), on average, 49% of property taxpayers are registered in a pre-authorized payment plan, however, in Brampton it is only 16%.</p> <p>Out of the 5 largest cities in Ontario, Brampton is the only one that does not offer electronic billing and also the only one without online PTP enrolment.</p> <p>IT projects have been initiated for both electronic billing and online PTP enrolment with completion expected in 2024. Improving current technology would increase efficiencies and enhance the property taxpayers' customer service experience.</p> <p><u>Potential Exposure</u> The inability to leverage current technology in the property tax platform results in process</p>			<p><u>TARGET COMPLETION DATE</u> December 31, 2023</p> <p>PART#3 (Ref# i & ii) - PROJECT EXECUTION <u>MANAGEMENT ACTION</u> Once capital budget is approved, a project will be established with Finance sponsorship and under the oversight of ePMO and IT-PMO to implement and deploy various online self-service functions to taxpayers. <u>PERSON RESPONSIBLE</u> Nash Damer (Treasurer, Project Sponsor) <u>TARGET COMPLETION DATE</u> December 31, 2026</p>

Ref #	Findings	Rating	Recommendations	Management Action Plan, Responsible Person(s) and Due Date
	inefficiencies and limits options available to property taxpayers.			
2	<p>Building permit data transmitted to MPAC is not always complete or timely.</p> <p>Every month, IT compiles a file which includes all building permits issued in the prior month. All data is pulled from AMANDA, the system used by the Building Department to manage building applications/permits and ensure compliance with regulations. The file is emailed to the Municipal Property Assessment Corporation (MPAC) portal. A status report showing which building permits were uploaded successfully and which ones failed is automatically sent from MPAC.</p> <p>Our review of the process for transmitting building permit data to MPAC noted the following;</p> <p>i) Building Permit Status changes are not automatically reported to MPAC.</p> <p>Currently, the monthly report sent to MPAC includes all building permits opened in the prior month, however, there is no report sent to MPAC that captures when these building permits are closed.</p> <p>Building permit status for high dollar assessments, mainly commercial and industrial, is closely monitored by property tax analysts.</p> <p>For newly built residential properties, the assessment by MPAC is triggered by the sale of</p>	P2	<p>City Council requests the Treasurer, in consultation with IT, to enhance the City's property tax billing IT platform capabilities in order to automate the process of sending a monthly report of closed building permits to MPAC, and that staff monitor the transmission process and correct transmission errors timely.</p>	<p>Ref#2 <u>MANAGEMENT ACTION</u> Finance and Information Technology to work in collaboration to implement a balancing routine/process to ensure no transactions are missed and building permit submissions are reconciled. <u>PERSON RESPONSIBLE</u> Supervisor, Tax Policy & Assessment <u>TARGET COMPLETION DATE</u> 2023/Q4</p>

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	<p>the properties. However, due to limited resources and a relatively lower dollar amount, property tax staff currently does not actively monitor the status of building permits related to improvement/expansion of existing residential properties.</p> <p>The City should automate the process of generating and forwarding reports of closed permits to MPAC on a monthly basis to ensure MPAC has all the information they need to make timely assessments. Without prompt adjustments to assessment values, the City could potentially lose additional property revenue.</p> <p>ii) Building permit uploads are not being monitored properly.</p> <p>923 building permits issued from August to November of 2021 were not submitted to MPAC until March 2022 due to a system error. IT processed the upload after being notified by Property Tax staff that they had not received the monthly upload notification email since July 2021.</p> <p>Also, 48 building permits throughout the audit period that failed to upload, were not resubmitted to MPAC until October 2023, when prompted by internal audit's inquiry. These failed building permits go as far back as January 2020. We noted that most of the failed uploads are for permits related to garages/carports. IT confirmed that the building permit code for garages/carports was changed from 190 to 490 last year by Statistics Canada, however, the necessary update was not made in AMANDA.</p>			

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	<p>IT staff should proactively monitor all building permit uploads and confirm all building codes in AMANDA are current. All building permits should be submitted timely to MPAC so that any additional property tax revenues resulting from assessment increases can be realized.</p> <p>Potential Exposure Incomplete or untimely transmission of building permit data can result in MPAC's assessment reviews being missed or delayed which may result in the loss of property tax revenues.</p>			
3	<p>Mitigating controls over system user access should be strengthened.</p> <p>The system used for property tax calculations, data and billing is TXM. The system has 16 different security profiles, each allowing access to different functions. Currently 161 employees, mainly from Community Services (Service Brampton), Accounting, Revenue, Legislative Services and IT, have access to the system. Most users have read-only access.</p> <p>We found that there are certain incompatible functions within 3 of the 16 security profiles. For example, the profile for property tax analysts (COB_TXANLST) has permission to both enter</p>	P2	City Council requests the Treasurer to ensure regular user activity reviews in the IT system environment where there is no inherent control to ensure segregation of duties.	<p>Ref#3 <u>MANAGEMENT ACTION</u> Finance and Information Technology to work in collaboration to implement a recurring "user access validation" process that will occur on defined schedule. <u>PERSON RESPONSIBLE</u> Program Manager, IT (Enterprise Solutions, Finance & HR) <u>TARGET COMPLETION DATE</u> 2024/Q1</p>

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	<p>and approve assessment changes, tax appeals, land apportionments, and more.</p> <p>We also found that some users are granted access to two or more security profiles which aggregately allow access to incompatible functions. For example, two users have access to both COB_ASSESS and COB_TXMGT which gives them permission to both enter and approve tax rebates.</p> <p>TXM does not have inherent controls to restrict the same user from both entering and approving transactions. The Property Tax section is aware of this and structures responsibilities so that duties are properly segregated when executing work plans.</p> <p>The system administrator can run a TXM transaction report for all functions, to detect, after the fact, whether the same user has performed incompatible functions, however, this report is not being prepared or reviewed.</p> <p>The TXM transaction report should be reviewed regularly to strengthen oversight and further mitigate the risk of incompatible functions being performed.</p> <p><u>Potential Exposure</u> Having no review in place to identify whether the same staff have both entered and approved a transaction can result in errors or unauthorized transactions going undetected.</p>			

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4	<p>Standard Operating Procedures are not always current.</p> <p>The property tax section handles large volumes of transactions with high aggregated values using a number of complex processes. Comprehensive standard operating procedures are critical to ensure consistent processes and foster institutional knowledge. Although most of the processes are addressed by existing policies or standard operating procedures (SOPs), some are not updated or approved.</p> <p>The following lists processes left out of SOPs or belonging to outdated SOPs / Policies:</p> <p>i) Two documents (Payment-In-Lieu of Property Taxes and Supp Reviewer) were updated and formalized into SOP's during the audit. Four property tax SOP's have not been reviewed since 2018 or 2019. These SOP's were reviewed and updated during the audit.</p> <p>ii) The Tax billing and Collection Policy is the main policy guiding property tax activities. In order for a policy to take effect it must be approved by Council. This policy was updated by property tax four years ago and the current policy is being followed by Property Tax staff, however, the policy has yet to be approved by City Council. The City's Property Tax website shows the old policy which is outdated and no longer followed.</p> <p>Updated policies and work instructions serves as a useful guide for current employees and is an</p>	P3	<p>City Council requests the Treasurer to ensure that the Property Tax section have comprehensive updated Standard Operating Procedures for all areas related to the City's property tax billing, appeals, rebates, collection, and write-off processes, and that the City's public-facing Property Tax website displays the current Tax Billing and Collection policy.</p>	<p>Ref#4i <u>MANAGEMENT ACTION</u> All outstanding SOP's will be reviewed and updated <u>PERSON RESPONSIBLE</u> Manager, Taxation and Assessment <u>TARGET COMPLETION DATE</u> 2024/Q2</p> <p>Ref#4ii <u>MANAGEMENT ACTION</u> Policy was updated by property tax four years ago. Tax relies on the Corporate Policy team's action plan for approval by Council. Finance will continue to monitor progress. <u>PERSON RESPONSIBLE</u> Manager, Taxation and Assessment <u>TARGET COMPLETION DATE</u> 2025/Q1</p>

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	<p>important tool in the training and orientation of future employees.</p> <p>Potential Exposure Policies and SOP's that are not complete, current or approved can result in inconsistent or inappropriate execution of processes.</p>			

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