



Property Tax Audit

November 7, 2023





Background

Property tax revenue

- Single largest revenue source for the City
- Property taxes are calculated by multiplying the Current Value Assessment of a property, determined by MPAC, by the approved tax rate



- In 2022, the City collected \$1.23 billion in property tax that not only included the City's portion, but also the Regional Municipality of Peel and local school boards' portions
- The City's portion in 2022 was \$503M, accounting for 51% of the City's total revenue

500M

**2022 Tax
Revenue**

51%

**City's Total
Revenue**



Objectives

Evaluate the effectiveness of processes and controls around property tax and ensure compliance to legislation, policies, and procedures.





Audit Objectives and Scope

January 1, 2020 to December 31, 2022



DATA EXCHANGE AND MPAC ASSESSMENT

- Building permit data submitted to MPAC is complete, accurate and timely
- Assessment base and growth is actively analyzed to ensure property billings are maximized
- Assessment rolls provided by MPAC are properly reviewed to ensure data is complete and current



REBATES, DEFERRALS AND APPEALS

- Property tax refunds and rebates are valid, accurate and properly authorized
- Property tax deferrals are eligible and monitored
- The City follows the property tax appeal process, makes timely adjustments, and actively monitors appeals



POLICIES, PROCESS AND COMPLIANCE

- City's taxation and assessment processes are in compliance with relevant legislation
- Property tax policies and SOP are current and being followed



COLLECTIONS AND ARREARS

- The City properly administers the collection process and correctly applies interest to overdue accounts



BILLING & PAYMENTS

- Property tax billings are reviewed, approved and distributed on schedule
- Payments in Lieu of Taxes (PILT) are eligible, accurate and monitored
- Access to relevant systems such as TXM is restricted to authorized users



Overall Message

Property tax processes operate effectively, and proper oversight is in place at this time.

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

Findings

We noted the following issues that limit options available to property owners and impact the timing and completeness of information transmitted to MPAC



Finding #1: Lack of electronic billing and online enrolment for PTP

Condition

- a) Electronic billing is not available.
- b) Online enrolment for pre-authorized tax payment plans (PTP) is not available.

Impact

The inability to leverage current technology in the property tax platform results in process inefficiencies and renders inconvenience to property tax payers.





Finding #2: Reporting changes in building permit status to MPAC is not automated

Condition

a) Building Permit Status changes are not automatically reported to MPAC.

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.

b) Building permit uploads are not being properly monitored.

923 building permits issued from August to November of 2021, were not submitted to MPAC until March 2022.

48 building permits that failed to upload from 2020 until 2023 were not resubmitted to MPAC until October 2023.

Impact



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.



Finding #3: Mitigating controls over system user access should be strengthened

Condition

TXM has 16 different security profiles, three of which allow for certain incompatible functions to be performed.

Some users are also granted access to two or more security profiles which aggregately allows access to incompatible functions.

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 run or reviewed.

Property tax staff structure responsibilities so that duties are properly segregated when executing work plans.

However, TXM does not have inherent controls to restrict the same user from both entering and approving transactions.

Impact



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.



Finding #4: Standard Operating Procedures are not in place

Condition

a) Some SOPs are outdated and have not been reviewed since 2018 or 2019.

b) The City's Property Tax website shows the old policy which is outdated and no longer followed. New policy has been in place for four years.

Impact

Policies and SOPs that are not complete, current or approved can result in inconsistent or inappropriate execution of processes.





Next Steps

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

Staff should work with IT to implement the capabilities needed to address the findings.





Thank You

