

**Audit Committee**  
**Comité de la vérification**

**Agenda 6**  
**Ordre du jour 6**

**Wednesday, September 29, 1999 - 2:00 p.m.**  
**Le mercredi 29 septembre 1999 - 14 h**

**Guigues Room, Terrace Level**  
**Bytown Pavilion, City Hall**

**Salle Guigues, Niveau Terrasse**  
**Pavillon Bytown, hôtel de ville**

**Confirmation of Minutes  
Ratification des procès-verbaux**

Minutes 5 (July 9, 1999)  
In-Camera Minutes 3 (July 9, 1999)

Procès-verbal 5 (Le 9 juillet 1999)  
Procès-verbal 3 huis clos (Le 9 juillet 1999)

## **Index**

### **Information Items**

#### **Articles pour information**

- |    |   |                                  |
|----|---|----------------------------------|
| 1. | <b>Accountability Report - Office of the City Auditor</b><br><b>Rapport du régime de responsabilisation - Bureau du vérificateur de la Ville</b><br>Ref.: ACS1999-AU-AUD-0017 | <b>1</b><br><br><b>City Wide</b> |
|----|---|----------------------------------|

### **Action Items**

#### **Articles pour exécution**

- |    |  |                                   |
|----|--|-----------------------------------|
| 2. | <b>Audit of Taxation: Assessment and Billing</b><br><b>Vérification de l'imposition : évaluation et facturation</b><br>Ref.: ACS1999-AU-AUD-0018 | <b>5</b><br><br><b>City Wide</b>  |
| 3. | <b>1998 Financial Statements</b><br><b>États financiers de 1998</b><br>Ref.: ACS1999-FN-FLM-0025   | <b>11</b><br><br><b>City Wide</b> |
| 4. | <b>Meeting Schedule - 2000</b><br><b>Calendrier des réunions - 2000</b><br>Ref.: CC2Z1999246   | <b>13</b><br><br><b>City Wide</b> |

SEF

September 17, 1999

ACS1999-AU-AUD-0017  
(File: CAA5100/3600)

Office of the City Auditor

Ward/Quartier  
City Wide

- Audit Committee / Comité de la vérification

Information

## 1. Accountability Report - Office of the City Auditor

### Rapport du régime de responsabilisation - Bureau du vérificateur de la Ville

#### Information

This report summarizes the administrative activities and status of the workplan for the Office to 31 August 1999.

#### Budget

The status of the Office's budget as at August 31, 1999 as is follows:

	<i>ESTIMATE</i>	<i>SPENT/ COMMITTED</i>
<b>1999 Approved Budget</b>	\$689,000	\$565,600
<b>Carried Forward from 1998</b>	\$90,000	\$50,000
Planning \$40,000 Performance Reporting \$50,000		\$40,000 removed as part of the 1999 spending reductions
<b>Additional Funds Approved</b>	\$52,500	\$52,500
Performance Reporting		

#### Staffing

The Office presently has two vacancies. As reported previously, despite an advertized competition, the position of Senior Information Technology Auditor has not been filled. The funding available for this position will be used to get some of the outstanding IT

audit work done using external resources.

One of our Senior Auditors obtained a position in UPPW. The incumbent of the auditor position was promoted to fill this vacancy; action is currently under way to staff the auditor position.

**Status of 1999 Workplan**

<i>PROJECT</i>	<i>ORIGINAL Tentative Audit Committee Date</i>	<i>STATUS/FORECAST</i>
<b>MAJOR PROJECTS</b>		
ROC Winter Road Maintenance Agreement	March	Complete. Report to Council April 7, 1999.
Assessment & Billing Part 1 Assessment & Billing Part 2	May August	Part 1 is complete and is on today's agenda. Part 2 will be deferred until 2000.
Year 2000	May	Complete. Report to Council June 16, 1999.
Performance Reporting	June	Contracted out to KPMG. Substantially behind timetable.
St. Laurent Financial	April	Complete. Report presented to CSOC April 28, 1999.
Warehousing / Inventories	June	Complete. Report to Council August 4, 1999.
Planning Branch	September	Cancelled as per Audit Committee direction June 9, 1999.
Appropriation and Expenditure Controls	October	Started. Terms of reference presented to Audit Committee June 9, 1999. December.
Business Parks	September	Started. November
Workers' Compensation	December	Not started. January 2000.

<i>PROJECT</i>	<i>ORIGINAL Tentative Audit Committee Date</i>	<i>STATUS/FORECAST</i>
<b>FOLLOW-UP AUDITS</b>		
Delegation, Award of Contracts	July	Completed. Report to Council August 4, 1992. Many of the outstanding items depended on the recommended re-writing of the Procurement By-Law. The City Treasurer has now completed this very substantial undertaking and we are satisfied that the issues raised in the original audit report have been addressed. The new Procurement By-Law was approved by Council on September 1, 1999.
Expense Claims	July	Complete. Report to Council August 4, 1999.
Fire Services	November	Not started.

<i>PROJECT</i>	<i>ORIGINAL Tentative Audit Committee Date</i>	<i>STATUS/FORECAST</i>
<b>ADDITIONAL PROJECTS TAKEN-ON</b>		
Accounts Receivable -- Write Offs		Complete. Report to Audit Committee March 31, 1999.
Minto Skating Centre		Complete. Report to Audit Committee June 9, 1999.

*P. O'Callaghan*

September 17, 1999 (10:22a)

Peter O'Callaghan  
City Auditor

PO:po

Contact: Peter O'Callaghan - 244-5300 ext. 1-3050

**This page intentionally left blank**

September 20, 1999

ACS1999-AU-AUD-0018  
(File: CMH1999-04)

Office of the City Auditor

Ward/Quartier  
City Wide

- Audit Committee / Comité de la vérification
- City Council / Conseil municipal

Action/Exécution

## 2. Audit of Taxation: Assessment and Billing

### Vérification de l'imposition : évaluation et facturation

#### Recommendation

That the audit report on Taxation: Assessment and Billing be received and the recommendations contained in Document 2 be approved.



September 20, 1999 (9:04a)

Peter O'Callaghan  
City Auditor

TM:tm

Contact: Tracy McTaggart - 244-5300 ext. 1-3053

#### Financial Comment

This report is administrative in nature. Any additional costs incurred in implementing these recommendations will be made from within existing resources.



September 20, 1999 (9:58a)

for Mona Monkman  
City Treasurer

BEB:cds

## **6**

### **Executive Report**

Document 1 is a synopsis of the audit report. This highly condensed summary provides Audit Committee and Council with a brief document that focuses only on key points.

Document 2 sets out the recommendations from the report and management responses.

The full report has been distributed separately.

### **Disposition**

The Department of Finance to implement upon approval.

### **List of Supporting Documentation**

- |            |   |
|------------|---|
| Document 1 | Audit Synopsis  |
| Document 2 | Audit Recommendations and Management Responses  |
| Document 3 | Audit of Taxation: Assessment and Billing (Distributed separately and on file with the City Clerk.) |



## Part II - Supporting Documentation

Document 1

### *Audit Synopsis*

### **AUDIT OF TAXATION ASSESSMENT AND BILLING** *September 1999*

#### **AREA OF RESPONSIBILITY**

- ▶ Tax Office, Financial Services Branch, Department of Finance

#### **BACKGROUND**

The City of Ottawa levies property taxes each year on properties within the city boundaries in order to satisfy its net operating funding requirement. The funding requirement to be raised from property taxes was \$79,262,000 for 1998 and \$82,476,000 for 1999. The City of Ottawa also bills property owners for the Region's tax requirement and the education levy on behalf of the Province. The Tax Office was subject to significant change in 1998 and 1999 due to the implementation of the Province's Tax Reform measures. The Tax Reform measures introduced greater complexity into the processing of property taxes as a result of an increased number of property assessment classes, rules around the relative tax burden borne by each class as well as specific measures to mitigate the impact of tax reform during the transition period and a requirement for the City to produce a series of mandatory notices.

#### **OBJECTIVE(S) AND SCOPE**

The objective of the audit was to review and assess the management of the City's processes around the assessment information and property tax billing functions and ensure that tax reform was effectively implemented.

As a result of the continuing changes by the province to the tax reform legislation and regulations, the planned audit scope was reduced to focus on the general procedures in place in the Tax Office for the tax billing cycle, tax bills issued in 1998 and the 1999 residential class billing. The audit did not look at bills issued in 1999 for the capped classes in any detail, including the final adjustment to the 1998 bills as these bills were only issued in August 1999 after the cut-off of the audit fieldwork.

**SIGNIFICANT ISSUES AND RECOMMENDATIONS**

- Tax Office was successful in implementing a new computer system in 1998 to support tax reform and address year 2000 issues.
- Tax Office was successful in issuing the 1998 tax bills and 1999 residential tax bills on a reasonable time line given the reliance on the Assessment Office/OPAC and the Region for necessary elements in the process.
- Adequate basic processes and controls were found to be in place to ensure complete and accurate maintenance of assessment information and production of tax bills. However, many processes are interim or involve work-arounds.
- Significant work remains to be done to complete the 1999 billing cycle for capped classes, complete the development and implementation of the tax system and ensure control procedures are finalized.
- Year 2000 testing of the tax system, scheduled for September 1999, remains a significant outstanding item and potential exposure for the City.

**MANAGEMENT RESPONSE**

- Management generally concurs with the recommendations.

**AUDIT RECOMMENDATIONS AND MANAGEMENT RESPONSES**

**R1 That the Ernst & Young report recommendations concerning separation of incompatible functions be fully implemented immediately.**

*Agreed. The Ernst & Young report was commissioned by the Finance Department as a secondary review to ensure the use of appropriate controls in the taxation function. This was done during the implementation of new taxation systems. The Department continues to implement the recommendations in the report.*

**R2 That a formal reconciliation process be adopted to ensure supplementary rolls are properly reconciled to the tax system and subject to independent review and approval.**

*While a control process is presently in place, and reconciliations are performed, the Department will ensure that those reconciliations are documented. In addition, the Director of Financial Services will independently review and approve the reconciliations.*

**R3 That the Department of Finance review the exception report that is produced by PDIS/GIS on an annual basis as part of its procedures around completeness of the Roll.**

*The Finance Department agrees that the PDIS exception reports would be an effective tool in ensuring that the roll properly reflects taxable properties in Ottawa.*

*On the issue of the City's duty regarding ensuring that the assessment roll is complete, we have the following comments.*

*Historically, municipalities have relied on the Provincial Assessment Office to ensure completeness and accuracy of the roll. The Province in its role as preparer and provider of assessment information was acting as the City's agent in this function. The Province defended the municipality's assessment base in its role at OMB and ARB appeals. Up until 1998, the Primary responsibility for ensuring completeness rested with the Province. In 1998, municipalities were required to begin funding the function and were given authority over the newly incorporate Ontario Property Assessment Corporation (OPAC).*

*Up until about 5 years ago, very few Ontario municipalities saw the need to perform a secondary review of assessment information provided by the Province. The City of Mississauga, in its high growth years had implemented such a function to ensure new properties were included on the roll in a timely fashion. During the last 5 years, a handful of other Ontario municipalities have followed suite and instituted a pro-active assessment review function. Smaller Ontario municipalities rely on services provided by AMO. The City of Ottawa has had assessment expertise in its tax department for several years. However, the function was not sufficiently staffed to fully implement a pro-active assessment review function. During 1999, at the request of the Department, City Council approved additional resources to assist with assessment roll review. Ottawa is one of the few Ontario municipalities who commit resources to this endeavour, and the only one in this Region. This function is meant to assist with ensuring both the accuracy and completeness of assessment information.*

*Looking to the future, municipalities will have the ability to perform their own assessment function in two years time. Under new provincial rules, municipalities will be allowed to take the function over from OPAC if they deem it to be their best interests.*

**R4 That improved control procedures be implemented to ensure adequate documentation is maintained to support the tax rate calculation.**

*The error in question was detected by the Finance Department and corrected prior to bill issuance. In effect, the reconciliation process during the production of the tax bill is meant to detect such errors prior to a financial loss being incurred. In this case, the control was effective.*

*The Department agrees that this control should be supplemented by documentation and review of the tax rate calculation.*

**R5 That the proposed tax rates be reviewed and approved by a Senior staff member who is not involved in determining the rates.**

*Agreed. The Director of Financial Management will formally document review and approval of the tax rate calculation. Although this is presently done in practice, a procedure will be put in place to ensure that there is secondary review of supporting information and calculations.*

**R6 That the Department of Finance review the status of the implementation of the Ernst & Young recommendations and develop a plan to complete the remaining items prior to the 2000 tax processing cycle.**

*Agreed.*

September 21, 1999

ACS1999-FN-FLM-0025  
(File: FDA1000/0100)

Department of Finance

Ward/Quartier  
City Wide

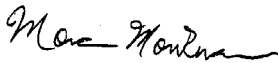
- Audit Committee / Comité de la vérification

Information

### **3. 1998 Financial Statements** **États financiers de 1998**

#### **Information**

Submitted for the information of the Audit Committee are the following audited financial statements for the fiscal year ended 1998, as listed under List of Supporting Documentation.



September 21, 1999 (9:32a)

Mona Monkman  
City Treasurer

GS:cds

Contact: Geoff Simpson - 244-5300 ext. 1-3685

#### **List of Supporting Documentation**

- Document 1 The Corporation of The City of Ottawa
- a) Consolidated Statements comprising the Revenue Fund, Capital Fund, Reserves and Reserve Funds of the City of Ottawa, and the following Local Boards:
    - Ottawa Public Library Board
    - The Sparks Street Mall Authority of the City of Ottawa
    - The Board of Management for the Bank Street Improvement Area
    - The Board of Management for the Westboro Improvement Area
    - The Board of Management for the Rideau Area Improvement Area
    - The Board of Management for the Sparks Street Improvement Area
    - The Board of Management for the Somerset Village Business

Improvement Area  
 The Board of Management for the Somerset Heights  
 Improvement Area  
 The Board of Management for the Preston Street Business  
 Improvement Area  
 The Board of Management for the Byward Market Business  
 Improvement Area

- b) Trust Funds, and
- c) Six Year Financial Review.

- Document 2 Ottawa Public Library Board
- Document 3 The Sparks Street Mall Authority of the City of Ottawa
- Document 4 The Board of Management for the Bank Street Improvement Area
- Document 5 The Board of Management for the Westboro Improvement Area
- Document 6 The Board of Management for the Rideau Area Improvement Area
- Document 7 The Board of Management for the Sparks Street Improvement Area
- Document 8 The Board of Management for the Somerset Village Business Improvement Area
- Document 9 The Board of Management for the Somerset Heights Improvement Area
- Document 10 The Board of Management for the Preston Street Business Improvement Area
- Document 11 The Board of Management for the Byward Market Business Improvement Area
- Document 12 City of Ottawa Non-Profit Housing Corporation (City Living)
- Document 13 Pineview Municipal Golf Course
- Document 14 The Hydro-Electric Commission of the City of Ottawa
- Document 15 Ottawa-Nepean Municipal Tent and Trailer Park
- Document 16 Ottawa Civic Hospital (March 31, 1998)
- Document 17 Riverside Hospital of Ottawa (March 31, 1998)

(Documents 1 to 17 listed above have been distributed under separate cover to Members of City Council and Departments Heads, and are on file with the City Clerk)

September 7, 1999

CC2Z1999246  
(File: ACC1560/99)

Ward/Quartier  
City Wide

**4. Meeting Schedule - 2000**  
**Calendrier des réunions - 2000**

The following 2000 Standing Committee and City Council meeting schedule is provided to each Standing Committee for approval of their own specific Committee:

For your information the March Break in 2000 is the week of March 13 - 17, 2000 for all School Boards.

Planning and Economic Development Committee Comité de l'urbanisme et de l'expansion économique	
January 11 and 25	Les 11 et 25 janvier
February 8 and 22	Les 8 et 22 février
March 28	Le 28 mars
April 11 and 25	Les 11 et 25 avril
May 9 and 30	Les 9 et 30 mai
June 13 and 27	Les 13 et 27 juin
July 25	Le 25 juillet
August 29	Le 29 août
September 12 and 26	Les 12 et 26 septembre
October 10 and 24	Les 10 et 24 octobre
November 7 and 28	Les 7 et 28 novembre
December 12	Le 12 décembre

Community Services and Operations Committee Comité des services communautaires et des opérations	
January 12 and 26	Les 12 et 26 janvier
February 9 and 23	Les 9 et 23 février
March 29	Le 29 mars
April 12 and 26	Les 12 et 26 avril
May 10 and 31	Les 10 et 31 mai
June 14 and 28	Les 14 et 28 juin
July 26	Le 26 juillet
August 30	Le 30 août
September 13 and 27	Les 13 et 27 septembre
October 11 and 25	Les 11 et 25 octobre
November 8 and 29	Les 8 et 29 novembre
December 13	Le 13 décembre

Audit Committee Comité de la vérification	
January 26	Le 26 janvier
February 23	Le 23 février
March 29	Le 29 mars
April 26	Le 26 avril
May 31	Le 31 mai
June 28	Le 28 juin
July 26	Le 26 juillet
August 30	Le 30 août
September 27	Le 27 septembre
October 25	Le 25 octobre
November 29	Le 29 novembre
December 13	Le 13 décembre



Policy, Priorities and Budgeting Committee Comité des politiques, des priorités et des budgets	
January 13 and 27	Les 13 et 27 janvier
February 10 and 24	Les 10 et 24 février
March 30	Le 30 mars
April 13 and 27	Les 13 et 27 avril
May 11	Le 11 mai
June 1, 15 and 29	Les 1, 15 et 29 juin
July 27	Le 27 juillet
August 31	Le 31 août
September 14 and 28	Les 14 et 28 septembre
October 12 and 26	Les 12 et 26 octobre
November 9 and 30	Les 9 et 30 novembre
December 14	Le 14 décembre
City Council/Conseil municipal	
January 19	Le 19 janvier
February 2 and 16	Les 2 et 16 janvier
March 1	Le 1 <sup>er</sup> mars
April 5 and 19	Les 5 et 19 avril
May 3 and 17	Les 3 et 17 mai
June 7 and 21	Les 7 et 21 juin
July 5	Le 5 juillet
August 2	Le 2 août
September 6 and 20	Les 6 et 20 septembre
October 4 and 18	Les 4 et 18 octobre
November 1 and 15	Les 1 et 15 novembre
December 6 and 20	Les 6 et 20 décembre