

To: Chair & Committee Members, Audit Committee

Date: April 2, 2019

Areas Responsible: Derek Coffey, DCM – Finance & Administration  
Gord Meaney, Manager Revenue Accounting

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There were no recommendations due to be implemented since the last reporting period; therefore, the following information is unchanged.

The table below summarizes the pending issues from the Internal Audit of Commercial Property Tax Allowance - assignment #15-02.

Recommendation	Status Update	Date
<b>1.1 (i)</b> Management should perform a complete review of the Commercial Property Tax By-Law and ensure that it is clear and protects the City's interests.	Given the significant workload of the legal department throughout 2018 the goal is to have the new by-law done by the spring of 2019.	Jun 2019 <u>Previous Date:</u> Nov 2018 TBD
<b>1.1 (ii)</b> Management should determine if they want to continue to offer commercial landlords a vacancy allowance for leasing space to Day Cares and, if so, ensure that it is addressed in the By-Law.	Given the significant workload of the legal department throughout 2018 the goal is to have the new by-law done by the spring of 2019.	Jun 2019 <u>Previous Date:</u> Nov 2018 TBD
<b>1.2 (i)</b> To help ensure that all allowance claims are processed completely and accurately management should prepare a policy for the Commercial Property Tax Allowance and forward it to the Corporate Policy Committee for consideration.	Final development of the policy will be once the by-law is complete	TBD <u>Previous Date:</u> Sep 2018 TBD

Recommendation	Status Update	Date
<b>1.3 (i)</b> In an effort to improve the Commercial Property Tax Allowance Claim form management should revise Section 3 so that the wording in the “Free Rent” allowance type section agrees with the wording in the Commercial Property Tax By-Law.	Given the significant workload of the legal department throughout 2018 the goal is to have the new by-law done by the spring of 2019.	Jun 2019  <u>Previous Date:</u>  Nov 2018 TBD
<b>1.4</b> Management should, at a minimum, review the legislation, Commercial Property Tax By-Law, Tax Blending brochure(s) and the Commercial Property Tax Allowance Claim form and ensure that consistent terminology is used to describe like terms.	Given the significant workload of the legal department throughout 2018 the goal is to have the new by-law done by the spring of 2019.	Jun 2019  <u>Previous Date:</u>  Nov 2018 TBD

The following table summarizes the current status of all issues identified in the Internal Audit of Commercial Property Tax Allowance - assignment #15-02.

Total Recommendations	Closed	Pending
29	24 (83%)	5 (17%)

The Table below summarizes the closed issues from the Internal Audit of Commercial Property Tax Allowance - assignment #15-02.

Recommendation	Status Update	Date
<b>1.2 (ii)</b> To help ensure that all allowance claims are processed completely and accurately management should revise the procedures to ensure they are complete and have them appropriately approved.	Completed	Implemented  Closed
<b>1.3 (ii)</b> In an effort to improve the Commercial Property Tax Allowance Claim form management should add a check box type response for the claim period with one check box for each quarter. The specific dates for each quarter should be listed.	Completed	Implemented  Closed
<b>1.3 (iii)</b> In an effort to improve the Commercial Property Tax Allowance Claim form management should remove the check box for square feet and request the Total Leasable Area section be completed in square meters.	Completed	Implemented  Closed
<b>2.1 (i)</b> In order to reduce the risk of revenue leakage from approving erroneous or fraudulent claims, management should require supporting documentation for all allowance types and sub-types. Supporting documentation, depending on the type of allowance claimed, could include evidence that the property was advertised for rent/lease such as a dated copy of a real estate agent's listing agreement.	Completed	Implemented  Closed

Recommendation	Status Update	Date
<p><b>2.1 (ii)</b> In order to reduce the risk of revenue leakage from approving erroneous or fraudulent claims, management should require supporting documentation for all allowance types and sub-types. Supporting documentation, depending on the type of allowance claimed, could include a copy of the fully executed lease indicating the tenant, the amount of space rented/leased and including any sections that show rent free use.</p>	Completed	<p>Implemented</p> <p>Closed</p>
<p><b>2.1 (iii)</b> In order to reduce the risk of revenue leakage from approving erroneous or fraudulent claims, management should require supporting documentation for all allowance types and sub-types. Supporting documentation, depending on the type of allowance claimed, could include confirmation letters from the property owner's external auditors indicating the periods of any vacancy.</p>	Completed	<p>Implemented</p> <p>Closed</p>
<p><b>2.1 (iv)</b> In order to reduce the risk of revenue leakage from approving erroneous or fraudulent claims, management should require supporting documentation for all allowance types and sub-types. Supporting documentation, depending on the type of allowance claimed, could include statements of account from Newfoundland Power for the property showing the period(s) from the previous year when the space was rented and the current quarter when the space was not rented for comparison purposes.</p>	Completed	<p>Implemented</p> <p>Closed</p>

Recommendation	Status Update	Date
<b>2.1 (v)</b> In order to reduce the risk of revenue leakage from approving erroneous or fraudulent claims, management should require supporting documentation for all allowance types and sub-types. Supporting documentation, depending on the type of allowance claimed, could include an affidavit from the applicant attesting to the vacancy.	Completed	Implemented  Closed
<b>2.2 (i)</b> In order to lower the risk of revenue leakage to an acceptable level management should perform additional inspections of properties to verify claimed vacancies. The number of additional inspections required will depend on the types and quality of additional supporting documentation received with the Commercial Property Tax Allowance Claim forms as recommended in Issue 2.1.	Completed	Implemented  Closed
<b>2.2 (ii)</b> In addition, a formal, written procedure should be developed to document the vacancy verification process.	Completed	Implemented  Closed
<b>2.3 (i)</b> In order to improve controls over the receipt and processing of vacancy allowance claims, management should ensure that all changes to the Total Leasable Area in the Altus system are approved by management.	Completed	Implemented  Closed

Recommendation	Status Update	Date
<b>2.3 (ii)</b> In order to improve controls over the receipt and processing of vacancy allowance claims, management should ensure a supervisor/manager reviews and verifies the keying of the entries in the Altus and Govern systems.	Completed	Implemented  Closed
<b>2.3 (iii)</b> In order to improve controls over the receipt and processing of vacancy allowance claims, management should ensure a supervisor/manager reviews and verifies the summary and detailed vacancy allowance calculations, statement of account and letters approving the amount of the allowance and signs the letter prior to forwarding the documentation to the applicant.	Management advised that they review some of the claims and have staff check each other's calculations.	Implemented  Closed
<b>2.3 (iv)</b> In order to improve controls over the receipt and processing of vacancy allowance claims, management should ensure that a supervisor / manager is aware of all issues / telephone calls from landlords, approves all adjustments and ensures the adjustments are keyed to the Altus and Govern Systems.	Revenue Accounting management noted that beginning Quarter 2-2018, all changes to claims entered in Altus and Govern now require Revenue Accounting management approval.	Implemented  Closed
<b>2.4 (i)</b> In an effort to address these control deficiencies management should ensure all forms are date stamped when received.	Completed	Implemented  Closed

Recommendation	Status Update	Date
<b>2.4 (ii)</b> In an effort to address these control deficiencies management should ensure all forms are numbered when received.	Completed	Implemented  Closed
<b>2.4 (iii)</b> In an effort to address these control deficiencies management should direct staff to document, directly on the claim form, any changes made to the information submitted on the claim form along with an explanation for the change. The representative should also initial and date the changes.	Completed	Implemented  Closed
<b>2.4 (iv)</b> In an effort to address these control deficiencies management should ensure staff sign and date the forms after they are keyed into the Altus system.	Completed.	Implemented  Closed
<b>2.5 (i)</b> Management should generate regular reports showing all vacancy allowances provided each quarter. Any significant variances from previous quarter reports should be investigated.	Completed	Implemented  Closed
<b>2.5 (ii)</b> Management should generate other types of reports for trend analysis purposes, such as reports of repeat claimants, claimants with high allowance amounts, etc.	Completed	Implemented  Closed

Recommendation	Status Update	Date
<b>2.6 (i)</b> In order to address these issues management should consult with Information Services to determine the problem with the calculations and take corrective action to ensure that the detailed calculations agree with the summary.	Completed	Implemented  Closed
<b>2.6 (ii)</b> In order to address these issues management should add titles to the summary calculations report and the detailed calculations report.	Completed	Implemented  Closed
<b>2.7</b> Management should consult with the Information Services Division to determine if it would be cost effective to integrate the two systems (Govern GP and Altus computer systems).	Management informed that the Information Services Division determined that Altus and Govern cannot be integrated.	Implemented  Closed
<b>3.1</b> Due to the issues and observations raised throughout this report management should consider one of the following options for the vacancy allowance program: i. If the program is considered to be meeting its original objectives and the inherent risks identified fall within the City's risk appetite then management should consider maintaining the program as is, with the exception of strengthening the control weaknesses identified in this report. ii. If the program is considered to be only partially meeting its original objectives and there is a level of uncertainty regarding the acceptability of the inherent risks then management should consider conducting a more	Management advised that Council has determined that the vacancy allowance program will continue with some changes (CD #R2016-05/18. Documentation is now required to support all claims, new reports have been created in Altus and the Commercial Property Tax By-Law will be updated.	Implemented  Closed



Recommendation	Status Update	Date
<b>3.1 (Cont'd)</b> comprehensive review of best practices in Canadian Municipalities and adjust the program accordingly. iii. If the program is considered to not be meeting its original objectives and the inherent risks identified are greater than the City's risk appetite then management should consider recommending to Council that the program be eliminated.		