

**City Auditor's Report to
Audit Committee
2025 March 13**

**ISC: UNRESTRICTED
AC2025-0205**

Property Tax Bill Adjustment Continuous Auditing Project

PURPOSE

The purpose of this report is to communicate the findings of the Property Tax Bill Adjustment Continuous Auditing Project, including Administration's response and proposed corrective actions.

PREVIOUS COUNCIL DIRECTION

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties, and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- What does this mean to Calgarians? Overall, the controls over the property tax adjustment process we tested were effective to maintain the integrity of property tax account data.
- Why does it matter? Implementing continuous auditing is an efficient and cost-effective approach to monitoring the risks associated with property tax bill adjustments in a timely manner.

RISK

This project supports activities that mitigate the Financial Sustainability and Reputation Principal Corporate Risks.

DISCUSSION

Property tax billing involves issuing tax bills for all property and Business Improvement Areas (BIAs), managing tax payments, and handling various adjustments such as penalties, refunds, and corrections of misapplied payments. These adjustments carry risks due to the manual and human intervention nature of adjustments required to execute these entries. Specific risks associated with adjustments include tax penalties not being applied due to system coding errors, improper adjustments caused by bypassing approval workflows, and unauthorized access to enter adjustments. These risks, if not effectively mitigated, can lead to financial losses, and undermine the integrity of the property tax system. Property Tax on Web (PTWeb) is the City's property tax system.

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Our project objective was to use data analytics to evaluate if controls over the property tax adjustment process are effective to maintain the integrity of property tax account data. Our project scope covered the period from January 2024 – September 2024 using the following criteria:

1. Secondary Review of Manual Adjustments - Manual adjustments are subject to a secondary review by another individual using Content Server, a workflow and document management system.
2. Penalty Calculations - Automated penalty calculations for late payments are correctly calculated and applied when needed.
3. Access Management - Access to enter adjustments, modify penalty rates, and process refunds are restricted to users with a business need. Additionally, individuals who handle payments are not able to make entries in PTWeb, which supports segregation of duties.

Overall, the controls we tested were effective to maintain the integrity of property tax account data. The scorecard attachment to this report details our results for each criterion, which are further explained below.

Controls to support secondary review of manual adjustments were effective with only a minor improvement opportunity identified. We tested 1,530 batches determining 1,403 were reviewed by a second person using automated analytics. The remaining 125 were tested manually using inquiry and sampling of paper records, since during early 2024 Administration transitioned from paper records to Content Server. For 2 out of the 125 cases, we were unable to obtain evidence of an independent review because the supporting documentation could not be located by Administration. Additionally, in one case, the same individual acted as both the approver and the keyer in the workflow within the content server. Subsequently, Administration has implemented a process to detect transactions without supporting documentation and a daily reconciliation process to detect same individual acting as secondary reviewer more than once in the creation, approval and keying of workflows in Content Server.

Controls over penalty calculations were effective with only a minor improvement opportunity identified. We tested current year penalties that were applied to unpaid 2024 property taxes and penalty arrears, which are charged on unpaid taxes from previous years.

- We verified the calculation accuracy of 99.7% of the \$9.3 million in current year penalties through automated testing. Given the importance of accurate penalty calculation to Calgarians, we manually tested a sample from the remaining \$28,709 penalties. Only one penalty of \$474 in our sample was incorrectly calculated, and Administration has implemented a process change to prevent this in the future.

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- We verified the calculation accuracy of over 99.9% of \$3.3 million in penalty arrears via automated testing. Due to the importance of accurate penalty calculation to Calgarians and the cost-benefit trade-off of further refining our automated analytics code, we manually tested a sample from the remaining \$654 penalties that could not be verified automatically. All sampled penalties were calculated correctly.

Access management represented a moderate opportunity for improvement. We tested access to screens in PTWeb that allowed for adjustments to penalty rates, manual adjustments, issuance of refunds and system administration. While 18 users (82%) had appropriate access, 4 users (18%) did not require update access to the screens tested. Administration has already taken steps to remove this access. We did not identify any individuals that handled payments who also had update access to the screens tested.

ATTACHMENT

1. Property Tax Bill Adjustment Scorecard Summary

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	City Auditor	Approve
David Duckworth	Chief Administrative Officer	Inform
Les Tochor	Chief Financial Officer	Inform
Edwin Lee	City Assessor	Inform
Daniel Lidgren	Manager, Account Management	Inform
Paramvir Hothi	Leader, Billing	Inform
Han Kwok	Leader, Payments	Inform

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