The Corporation of the Town of Richmond Hill

Development Charges Process Review

November 2018

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1.0 MANAGEMENT SUMMARY

At the request of the Corporation of the Town of Richmond Hill ("the Town") we conducted a review of the changes that are being proposed for the process for payments of development charges. The Town is currently undertaking a process review with the objectives of streamlining the current development charges payment process in order to reduce:

- the number of counter visits for customers;
- the amount of time it takes to pay for development charges; and
- the amount of staff time and effort involved in development charges payments.

This report was prepared in accordance with *International Standards for the Professional Practice of Internal Auditing* as established by the Institute of Internal Auditors.

We did not identify any control issues the proposed development charge process would impact. In one instance, the proposed process changes impact the previous audit recommendations we made; however, we have made recommendations to mitigate the risk of unassessed development charges. There are several areas where we have outlined potential improvements or issues for Town staff to keep in mind in rolling out the new process.

We have discussed our observations and recommendations with staff and their responses are included within this report.

Should the reader have any questions or require a more detailed understanding of the work undertaken, please contact the Director, Audit Services.

Audit Services would like to thank the Town's management and staff for their cooperation and assistance in conducting this review.

2.0 BACKGROUND

In 2016 the Town and the Regional Municipality of York ("York Region") entered into a memorandum of understanding for the delivery of internal audit services. To determine which areas would benefit most from audit services, an Audit Plan was developed by management using a Risk Assessment Methodology that helps to define the different risks associated with the various processes at the Town.

The current development charges payment process requires customers to visit multiple departments before a building permit can be issued. The Town is in the process of streamlining the current development charges payment process with the objective to reduce the number different counters that the Town's customers need to visit as well as reduce the amount of staff time and effort involved in development charge payments. These processes are being updated without change to the underlying systems in place.

The Town has requested that Audit Services review the processes that have been proposed to ensure that key risks in the development charges process are mitigated and ensure that the proposed processes incorporate the findings from our report from 2017.

2.1 Objectives and Scope

The main objectives of this engagement are to:

- Review the processes and procedures changes proposed to ensure that key risks in the development charges process are mitigated;
- Identify areas where processes and procedures in the proposed development charges payment process can be improved; and
- To the extent that the process changes impact the recommendations made in our previous audit report, ensure the processes incorporate our previous audit findings and recommendations.

The engagement objectives will be accomplished through:

1. Detailed review of the documentation prepared by staff around the proposed payment process,
2. Interviews with appropriate personnel; and
3. Review of procedures/policies and other related documents.

3.0 DETAILED OBSERVATIONS

3.1 Processes and Procedures for Managing Email Communications

Observation

The process the Town is proposing for managing DCs largely relies on email communication between departments. As a part of this process we understand that departments will be setting up generic email addresses by department to handle these communications so multiple people can access the emails received. Generic email addresses are beneficial in situations where someone is off on vacation or is sick as someone else can respond to emails. Also, without a generic email address, if someone leaves the organization and their emails are not archived they are lost or difficult to access.

A template for communications to customers has been prepared with a standardized subject. However, there are other issues that can be encountered in using email communications as a work flow management tool:

- Assignment of overall responsibility for the account;
- Guidelines on how to store messages and when to delete messages;
- Allocation of particular messages to particular staff;
- Follow up on emails that do not receive a response;

The scope of the proposed changes in processes excluded investments in or updates to existing systems. We understand that the Town is currently in the process of updating its financial systems including the PALIS system which is the system used for development charges.

Ideally, the system that the Town implements will include functionality to manage the work flows and automatic notifications for staff involved in the building permit and development charges processes.

Recommendation

The Town should ensure that strict protocols are in place to manage the emails sent between departments.

The Town should ensure that when the new system is updated there is functionality to manage the work flow and automatic notifications for staff involved in the building permit and development charges processes.

Management Response

The Town should ensure that strict protocols are in place to manage the emails sent between departments.

Complete

The Finance and Regulatory Services Division have put in place protocols to manage the emails:

- Responsibility for the developmentfinance@richmondhill.ca is assigned to the Development Finance Coordinator, with back-up by the Capital and Finance Development Administrator. The email is to set up so that the Development Finance Coordinator and Capital and Finance Development Administrator can view any new emails when signed into their personal accounts (no separate log-in is required), which will ensure that it is regularly monitored. The Development Finance Coordinator will respond to all emails, and use the automated flags in outlook to indicate Read and Replied. Messages will be filed by year, and the mailbox will be reviewed monthly to ensure that all messages have been responded to and filed. Messages will have standard subjects to ensure they are searchable.

- Responsibility for the building@richmondhill.ca is assigned to the Building Permit Coordinator, with back-up by the Customer Service Representative and supervision by the Supervisor, Plans Examination. The email is to set up so that the Building Permit Coordinator and Customer Service Representative can view any new emails when signed into their personal accounts (no separate log-in is required), which will ensure that it is regularly monitored. The Building Permit Coordinator will respond to all emails, and use the automated flags in outlook to indicate Read and Replied. There is a distinct folder for building permit issuance related emails where all emails will be filed. The mailbox will be reviewed monthly to ensure that all messages have been responded to and filed. Messages will have standard subjects to ensure they are searchable.

The Town should ensure that when the new system is updated there is functionality to manage the work flow and automatic notifications for staff involved in the building permit and development charges processes.

In progress – anticipated completion Q1 2020.

An initial meeting with the Planning and Regulatory Management (PRM) System team to capture processes requiring automation in email work flow took place on November 8, 2018.

As the Town moves forward with a new PRM system, the team will continue to work with PRM project team to develop process workflows including notifications to applicants.

All requirements will be captured and built into the configurations for automation of newly developed processes where possible.

3.2 Development Charges on Demolished Properties

Observation

In discussions with Town staff we understand that there is a process in place to alert property owners to upcoming changes to development charge fees when there are standard changes to development charge rates (such as when development charges are indexed). Property owners are notified of the date the changes become effective and if they fail to pay the development charges prior to the effective date a new development charge receipt request file is sent out.

During our audit in 2017 we noted there are some circumstances where development charges become owing on demolished properties 4 years after the date that a demolition permit has been issued. A process was implemented where Building Services verifies that the building permits are issued the same day (or soon after) the development charges are assessed.

There is a permit issuance checklist that is filled out prior to the issuance of a building permit. The checklist includes a check on whether a development charge payment has been received. The checklist does not include a check on whether the development charge has been issued within four years of a demolition permit.

Recommendation

The Town should consider a similar process is in place to alert property owners to the fact that development charges will be due on a development if a building permit is not issued within 4 years.

The Town should include within the permit issuance checklist a check of whether the building permit is being issued within four years of the demolition permit. Financial Services should identify the building permits where development charges could become owing in their email to Building Services. Building Services should ensure that the permits are obtained prior to any timelines specified through the Financial Services Department. The Town should consider adding this step to the permit issuance checklist.

Management Response

Complete.

When the Development Finance Coordinator receives a request to calculate development charges, we will confirm if there are any active demolitions permits and advise which lot gets the exemption (severances). If the demolition permit has expired, all development charges will apply. If not, the development charges are exempt until the expiry date, which is four years from the date of demolition. Information about demolition permit expiry is included on the email with the development charges receipt request so that Regulatory Services is aware and can inform the property owner through the notification email. Regulatory Services will verify that the deadline has not been passed when they issue the permit.

The above has been included in the standing operating procedures.

3.3 Checklists

Observation

The Town is planning on training staff on the new processes once they are rolled out. As the processes are changing, checklists can be helpful to ensure that staff are following the appropriate procedures and obtaining and sending the necessary information to other departments and property owners. Checklists are helpful as the Town is rolling out the new processes as well as for new staff that are hired to carry out the necessary processes. As previously discussed, checklists are already in place for the issuance of building permits.

Other stages where checklists may be helpful include:

- Building Counter Customer Service Representative sending email to property owners attaching all receipts requested; and
- Access Richmond Hill staff process payment received from customer and forwards the customers on to the Building Department.

Recommendation

The Town should consider setting up checklists for staff at different stages in the DC payment process.

Management Response

Completed.

Management has considered setting up checklists but feels that templates, standard operating procedures and quick reference guides would be more effective to to ensure that staff are following the appropriate procedures and obtaining and sending the necessary information to other departments and property owners.

A process has been developed to ensure staff follow a consistent approach when calculating, communicating and processing DC payments. All three departments involved in the DC payment process are using standard templates, have implemented standard operating procedures with quick reference guides for staff.

Controls have been implemented for management to monitor compliance of the following:

- 3 day service level standard for receipt requests from Development Finance
- Frequency of property owner errors (arriving without printed receipt requests, arriving without correct payment method, arriving with incorrect payment amount)
- Frequency of payment errors

Management will monitor these measures to ensure compliance with the process, and will consider further controls (such as checklists) if required.

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