

Software Conversion 2018



- Reliance on Experts
- Proper Training

Conversion to the new software program was mandated and performed by the same company that managed the old software.

All action criteria and datasets should have been transitioned into the new system with the same principle and standards as the old program.

Action items are typically stored in tables in the background of the day to day interface. Users rarely go into these tables. Management may occasionally update data in tables when there are changes in rates (e.g. payroll and tax rates) but it is infrequent.

The box below is in one of these tables. The box was ticked at the time of conversion which means interest is to be charged on interest if taxes are not paid on time.

Type	Description	Pmt	Based On	Rate	Amount	Apply P&I	Revenue	Accounts Receivabl
 PEN	PENALTY	1	Event 	1.2500%	\$0.00	<input type="checkbox"/>	1-130-0770-7280	1-100-4000-4110

Default:

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Interest on Interest

- Banks
- Credit Card Companies
- Municipalities in Other Provinces

This was incorrect for our municipality. The Ontario Municipal Act states that we do not charge interest on interest. The previous program was correct so obviously the criteria did not transition to the new program accurately.

- Clerical Staff typically would not know the Ontario Municipal Laws.
- Auditors did not catch the inaccuracy.

345 (1) Late payment charges

A local municipality may, in accordance with this section, pass by-laws to impose late payment charges for the non-payment of taxes or any instalment by the due date. 2001, c. 25, s. 345 (1).

345 (2) Penalty

A percentage charge, not to exceed 1 ¼ per cent of the amount of taxes due and unpaid, may be imposed as a penalty for the non-payment of taxes on the

first day of default or such later date as the by-law specifies. 2001, c. 25, s. 345 (2).

345 (3) Interest

Interest charges, not to exceed 1 ¼ per cent each month of the amount of taxes due and unpaid, may be imposed for the non-payment of taxes in the manner specified in the by-law but interest may not start to accrue before the first day of default. 2001, c. 25, s. 345 (3).



Clerical Staff

- Reception
- Clerk Typist
- Bookkeeper



Software Providers Responsibilities



Method One (interest on interest):

Interest on Interest						
		Taxes	Penalties			Total Due
Tax Bill (Due Date)	01-Apr	\$1,000.00				\$1,000.00
Interest	01-May		\$12.50	(\$1000.00 x 1.25%)		\$1,012.50
Interest	01-Jun		\$12.66	(\$1012.50 x 1.25%)		\$1,025.16
Interest	01-Jul		\$12.81	(\$1025.16 x 1.25%)		\$1,037.97
Interest	01-Aug		\$12.97	(\$1037.97 x 1.25%)		\$1,050.95
Interest	01-Sep		\$13.14	(\$1050.95 x 1.25%)		\$1,064.08
Tax Bill (Due Date)	01-Sep	\$1,000.00				\$2,064.08
Interest	01-Oct		\$25.80	(\$2064.08 x 1.25%)		\$2,089.88
Interest	01-Nov		\$26.12	(\$2089.88 x 1.25%)		\$2,116.01



Method Two (interest on tax only):

Interest on Taxes Only (Ontario Law)						
		Taxes	Penalties			Total Due
Tax Bill (Due Date)	01-Apr	\$1,000.00				\$1,000.00
Interest	01-May		\$12.50	(\$1000.00 x 1.25%)		\$1,012.50
Interest	01-Jun		\$12.50	(\$1000.00 x 1.25%)		\$1,025.00
Interest	01-Jul		\$12.50	(\$1000.00 x 1.25%)		\$1,037.50
Interest	01-Aug		\$12.50	(\$1000.00 x 1.25%)		\$1,050.00
Interest	01-Sep		\$12.50	(\$1000.00 x 1.25%)		\$1,062.50
Tax Bill (Due Date)	01-Sep	\$1,000.00				\$2,062.50
Interest	01-Oct		\$25.00	(\$2000.00 x 1.25%)		\$2,087.50
Interest	01-Nov		\$25.00	(\$2000.00 x 1.25%)		\$2,112.50



Difference appears minimal but compounding interest over many years can be quite substantial.

Note: Actual calculation is a bit more complicated (penalties).

Total Impact of Error

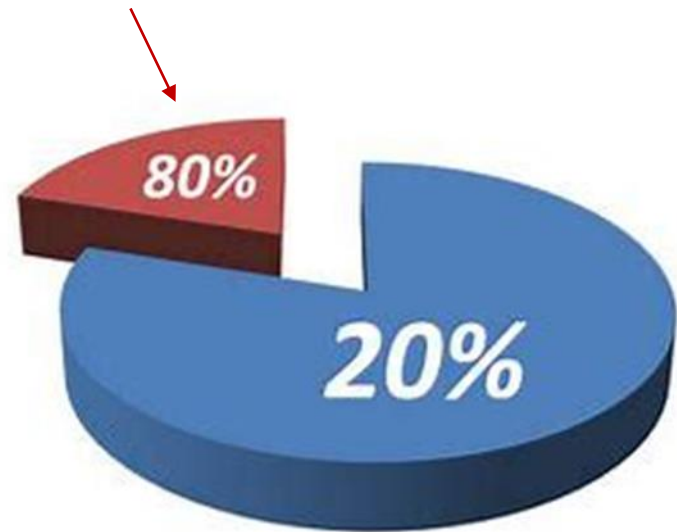
- 687 accounts totaling \$360,701.71.
- \$331,660.80 (293 accounts) remain in a debit balance.
- \$29,040.88 (118 accounts) in credit balance.
- \$154.77 (276 accounts) less than \$10.00.

Note: Numbers are a close estimate at this time and will be verified by our new auditors.

The 80/20 Rule

A low percentage of accounts makes up a high percentage of the dollars.

\$290,242.63 = 51 Accounts



Our total arrears figure, which is very high, will be reduced by this amount which the Ministry of Municipal Affairs will look upon favourably.



OVERDUE



THIS INACCURACY ONLY AFFECTS ACCOUNTS
IN ARREARS