Chapter 3
Section
3.08 Municipal Property Assessment Corporation

Background

Ontario municipalities collected more than $20 billion in property tax during 2008. Of this amount, about $14 billion was levied by municipalities for their own operations while the remaining $6 billion was collected on behalf of school boards and turned over to them.

As is the practice in many other North American jurisdictions, property tax in Ontario is calculated by multiplying a property's assessed market value by the applicable tax rate. The tax rate is the sum of two numbers: the tax rate set by a municipality to enable it to meet its own budgetary needs plus the education-tax rate, set by the province, to fund school boards.

The determination of each property's market value is critical because it ultimately determines how much tax a property owner must pay; if the assessed value of one home increases more than others in the same area, then property tax payable on that home increases proportionally more than the others. Conversely, if a home's assessed value increases by less than others in the area, the tax payable increases proportionally less.

Until 12 years ago, the Ministry of Finance set the assessed value for properties in Ontario. On December 31, 1998, the province transferred this responsibility to the Ontario Property Assessment Corporation, later renamed the Municipal Property Assessment Corporation (Corporation). Under the *Municipal Property Assessment Corporation Act, 1997* and the *Assessment Act*, it is the Corporation's primary responsibility to prepare an annual assessment roll for each municipality, for each locality, and for non-municipal territories. Among other things, these rolls must contain:

- the names of all persons in each jurisdiction who own a property liable to assessment;
- a description of each property sufficient to identify it; and
- the current value of the land and buildings liable to taxation.

Under the *Assessment Act*, current value in relation to land (including buildings erected upon it) is defined as "the amount of money [a property], if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer," more commonly referred to as a property's market value. The type and number of properties assessed, and the valuation model used for each, are detailed in Figure 1.

Certain properties, including Crown lands, places of worship, cemeteries, hospitals, public educational institutions, and highways, are exempt from paying property tax, although they are still included in the assessment rolls.

Figure 1: Type, Number, Valuation Model, and Total Assessed Value of Properties in Ontario, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Type of Property	# of Properties	Valuation Model Used	Total Assessed Values ($ billion)
residential and farm properties (including small commercial and industrial properties)	4,500,000	mass appraisals using a computerized analysis that estimates a property's market value based on recent sales of comparable properties in the same market area	1,300
multi-residential and large commercial properties	157,000	capitalization rates applied to a property's estimated current discounted cash flow revenues	279
large industrial properties	77,000	replacement cost, which considers the value of land, the current replacement cost of improvements made, and the accumulated depreciation	90

The Corporation is governed by a 15-member board of directors, which includes eight representatives of municipalities and five property-taxpayer representatives, along with two people representing the province. All are chosen by the Minister of Finance, based in part on recommendations from the Association of Municipalities of Ontario. The Corporation has a total of approximately 1,600 employees working out of its head office in Pickering, its Customer Contact Centre/Central Processing Facility in Scarborough, and 33 field offices across the province, as illustrated in Figure 2.

In 2009, Corporation expenditures totalled $185.5 million, most of which was funded by the province's 444 municipalities. Each municipality's share of costs is based on the total number of properties within its boundaries and their total assessed value. Over the last five years, Corporation expenditures have increased, from $156.3 million in 2005 to $185.5 million in 2009.

The decision to tax property based on assessed market value is government policy and thus beyond the scope of our mandate. However, it is within the scope of this audit to assess how well the Corporation does in estimating a property's fair market value and how well it spends the money with which it is entrusted.

Audit Objective and Scope

Our audit objective was to assess whether the Municipal Property Assessment Corporation (Corporation) has adequate systems and procedures in place to ensure that:

- the assessment rolls it provides to municipalities are complete, accurate, and based on up-to-date information about individual properties; and
- all costs incurred are prudent in the circumstances with due regard for economy and efficiency.

Given the high degree of public interest in the taxation of residential property, and the fact that residential properties account for approximately two-thirds of property-tax revenue in Ontario, our work focused on the assessment of residential properties.

The scope of our work included a review and analysis of relevant files and administrative procedures, as well as interviews with appropriate staff at the Corporation's head office, its Customer Contact Centre/Central Processing Facility, and four regional offices that we visited (Richmond Hill, St. Catharines, Thunder Bay, and Toronto). We also held discussions with senior staff at the Ministry of Finance and the Association of Municipalities of Ontario.

Figure 2: Staffing by Department/Function, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Major Department/Function	# of employees
valuators/assessors	614
head office and other	344
property inspection (including 233 property inspectors)	338
IT department	122
data processing unit	92
customer contact centre	66
legal and policy-support services	39
Total	**1,615**

Prior to the start of our audit fieldwork, we identified the audit criteria that would be used to address our audit objectives. These were reviewed and agreed to by the Corporation's senior management. We last audited this program in 1992, when it was known as the Assessment Field Operations Activity of the Ministry of Revenue.

We also reviewed a report on the Corporation issued by the Ombudsman of Ontario in March 2006, along with a review of the development of the Corporation's Integrated Property System (IPS) computer system prepared by the Ministry of Finance's Central Agencies I&IT Cluster in June 2004. We also examined various reports issued by the Corporation's own internal audit department. Although these reports did not reduce the extent of our work, they did influence our thinking about specific issues and the approach to our work with respect to them.

Summary

There is no question that it is a massive undertaking to collect and maintain the required information on approximately 4.2 million residential properties, and to assess the market value of each. In addition, assessing market values using mass-appraisal systems is not an exact science and so cannot be expected to yield the exact price for which a property would sell on any given day.

From the perspective of the individual property owner, however, it is reasonable to expect that each property be assessed within a range that is reasonably close to its fair market value—the most likely sale price between a willing buyer and seller. That is also the position of the Corporation and Ontario's Assessment Review Board, the independent tribunal that hears appeals from people who believe that their properties are incorrectly assessed or classified.

To get an indication of whether the Corporation's mass-appraisal system achieved this objective, we compared the sale prices of 11,500 properties that the Corporation identified as having been sold at arm's length in 2007 and 2008 to their assessed value as of January 1, 2008. We found that in 1,400 of these transactions, or one in eight, the assessed value differed from the sale price by more than 20%. In many cases, the selling price was substantially higher or lower than the property's assessed value.

The Corporation acknowledges that some individual property assessments may not reflect the current or fair-market property-value range as indicated by an arm's-length sale price. These variances most often occur because the Corporation does not have up-to-date property data from a property inspection, nor does it routinely investigate large differences between sale prices and assessed values. As a result, some property owners may be over- or under-assessed, and therefore pay more or less than their fair share. However, it will be little solace to property owners who are over-assessed relative to neighbouring properties, and therefore pay more than their fair share of tax, to know that the system got it right for many of their neighbours but not for them.

More frequent property inspections and timely sales investigations should greatly reduce the differences between assessed values and sale prices because, at present, valuations may be based on incorrect information and the resulting assessments may be wrong, sometimes significantly so. Nevertheless, our discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information that the Corporation provides.

We identified a number of areas where improvements are needed with respect to the Corporation's efforts to collect timely and accurate information about individual properties that is essential for accurate and consistent property-tax assessments. Among the issues we identified:

- At the end of our audit fieldwork in April 2010, we noted that for all 1,400 properties where we noted the sale price differed by more than 20% from the assessed value, the Corporation had not investigated the reasons for these differences or made any adjustments to the assessed value of these properties where warranted.
- A reasonable guide to changes in a property's value is a building permit, which provides details about proposed improvements to a property. We found almost 18,000 building permits with a total value of about $5.1 billion as of December 31, 2009, for which the Corporation had failed to inspect the corresponding properties within the statutory three-year limitation period for reassessing property and levying tax. Our review of a sample of these outstanding building permits from across the province found that:
  - In 30% of cases, the Corporation had not determined whether the work with respect to the permit was completed within the three-year limitation period.
  - In 24% of cases, a scouting visit had been made that determined the work with respect to the permit had been completed. However, a full inspection of the property had not been performed and the assessed value had not been updated within the three-year limitation period.
- Although the Corporation's target is to inspect each property in the province at least once every 12 years, the actual inspection cycle on a provincial basis would at best be 18 years, based on current staffing levels and assuming no further growth in the number of residential properties. We found that, province-wide, over 1.5 million residential properties, or about one in three, have not been inspected or had their property attributes otherwise updated in more than 12 years.
- Many of the inspection files we reviewed lacked sufficient documentation to indicate whether an inspection had been undertaken at all and what assessment changes, if any, were made as a result.
- On a positive note, we did find that the corporate quality-review function was operating effectively and identified errors in about 10% of the inspection files it reviewed. However, there were indications that quality review at the regional-office level was less effective.

We also found that the Corporation had established reasonable requirements for determining the need for goods and services, and for acquiring them competitively. However, when the Corporation acquired goods and services, it often did not comply with good business practices, including its own mandatory purchasing policies and procedures. For example:

- Almost half of the goods and services that should have been acquired competitively were not. In addition, we found many instances where contractual agreements for relatively small amounts were amended numerous times, thereby increasing the value of some original agreements by more than $1 million, or by as much as 1,500%, in some instances.
- In many cases, written agreements between the Corporation and its suppliers either were not in place or were prepared and signed after the goods and services had already been delivered and the underlying invoices had been received and paid.

- Paid invoices we examined from consultants and contractors often lacked sufficient detail to assess if the amounts billed were in compliance with the contractual agreement or to determine if the goods and services paid for had actually been received.

The cost incurred developing the Corporation's new computer system exceeded $50 million (including over $17 million in additional mainframe costs) as compared to an original budget of $18.3 million (including $7 million in additionally budgeted mainframe costs). Although the new system has been used to value residential and farm properties since 2007, valuation components related to business properties have not been developed.

OVERALL CORPORATION RESPONSE

As the Auditor General noted, property assessment in Ontario is a massive undertaking. Over the last 10 years, the number of properties in the province has grown to more than 4.7 million and their total assessed value has increased to $1.74 trillion. At the same time, Ontario's property assessment system has undergone a number of significant changes.

Within this challenging environment, the Corporation has continued to focus on producing accurate and timely assessments on Ontario's properties and on giving outstanding service to taxpayers. Every province-wide assessment update has exceeded the standards set by the International Association of Assessing Officers. Moreover, our customers have accepted our valuations more than 97% of the time.

A number of the Auditor General's examples indicated substantial variances between sale prices and assessed values. These variances are generally due to the timeliness of sales investigations and property inspections, and not the accuracy of the Corporation's valuation models. The Corporation has already initiated process improvements to ensure more timely sales investigations and to accelerate the property inspection cycle. These enhancements may have resource implications.

The Auditor General reviewed the Corporation's procurement practices over the last several years and identified some shortcomings. In 2009, the Corporation strengthened its policy to be consistent with the province's procurement directive. It also updated its policies to bring them into line with the province's directive on travel, meal, and hospitality expenditures.

This report also addressed the development of the Corporation's computer system. Although the costs were higher than originally expected, the system has been used since 2007 to value more than 94% of Ontario properties and to produce all Property Assessment Notices and Assessment Rolls. The system works.

We appreciate the Auditor General's review and his many positive comments. The Corporation has worked hard to ensure that property assessment in Ontario is fair, open, and transparent. The Auditor General's recommendations, which the Corporation is already implementing, will strengthen operations and enhance our culture of continuous improvement.

Detailed Audit Observations

The Ministry of Finance (Ministry) is responsible for establishing and overseeing property-tax assessment policies through the *Assessment Act* and its regulations, but it is the responsibility of the Corporation to implement these policies. A key policy requirement established by the Ministry, which has major implications for the Corporation's program delivery, is the schedule of valuation dates and the tax years to which they apply. The schedule since 1997 is illustrated in Figure 3.

Although the Ministry initially intended to update current-value assessments annually beginning in

Figure 3: Market Price Valuation Updates, as of December 31, 2009
Source of data: Municipal Property Assessment Corporation

Valuation Date	Applicable Tax Year
June 30, 1996	1998, 1999, 2000
June 30, 1999	2001, 2002
June 30, 2001	2003
June 30, 2003	2004, 2005
January 1, 2005	2006, 2007, 2008
January 1, 2008	2009, 2010, 2011, 2012

2005, it cancelled annual updates for the 2007 and 2008 tax years, in part as a result of the Ombudsman of Ontario's 2006 report on the Corporation. To encourage greater stability in property-tax assessment, the government announced in the 2007 Ontario Budget that, starting with the 2009 tax year, assessments for property-tax purposes would be on a four-year cycle and market-value assessment increases would be phased in over the four-year period. However, any market-value assessment decreases were to be applied immediately for 2009, the first applicable tax year.

The *Assessment Act* requires that a completed assessment roll be provided annually to each of the province's 444 municipalities no later than the second Tuesday following December 1. The Corporation also provides supplemental assessment rolls throughout the year based on updated property-assessment information and other changes. In addition, each property owner is provided with a Property Assessment Notice no later than 14 days before assessment information is provided to a municipality in an assessment update year or at the time a supplemental assessment is issued.

On receipt of the annual assessment roll, municipalities establish tax rates to be applied to an individual property's assessed value. The tax rates are determined based on a municipality's budgetary requirements for providing services such as policing, fire protection, garbage removal, snow removal, and road maintenance. The tax rates for the education portion of property taxes are set by the province. Tax rates are multiplied by the assessed value of a property to arrive at the property tax payable.

From a municipality's perspective, the most critical aspect of the assessment roll is the total assessed market value of all residential properties within its borders because this figure is the primary determinant of the tax rate. If the total value of residential properties drops, a municipality can raise the tax rate to raise the total tax income it requires.

However, the distribution of the total assessed market value among all residential properties is most important to individual property owners because it determines the proportion of total residential property taxes that they must pay.

Each year, municipalities normally send property owners an interim tax bill, based on 50% of the previous year's total tax owing, and a final bill that reflects any new increases or decreases to the tax owing as a result of changes to the assessed value and/or the tax rate set by the municipality and the province.

ASSESSED VALUES OF RESIDENTIAL PROPERTIES

To promote fairness and consistency in a market-value-based property-tax system, it is essential that individual properties are assessed for market value as accurately as possible and that similar properties are assigned similar values.

The Corporation's assessment model estimates a property's market value based on sales of comparable properties in a market area. There are approximately 130 residential market areas across the province. Market-area boundaries may change over time as the local marketplace changes. As well, boundaries between small market areas may be collapsed to ensure a sufficient sales sample for analysis and valuation purposes. Market areas are further broken down into approximately 8,800 locational neighbourhoods to adjust for location and to test equity on a smaller scale.

The province's Land Registry Offices provide the Corporation with information about property sales in the form of a copy of each Land Transfer Tax statement they register. The comparability of properties is determined by the Corporation through an extensive database of property attributes maintained in its computerized Integrated Property System.

To assess the accuracy of the Corporation's estimated property market values, it is the view of Ontario's Assessment Review Board that there is no better comparator or evidence of the current market value of a property than the actual price that a willing buyer paid to a willing seller for the subject property, or comparable properties, in the relevant time frame. From the perspective of the individual property owner, it is reasonable to expect that each property be assessed within a range that is reasonably close to its fair market value—the most likely selling price between a willing buyer and seller.

The Corporation believes it meets this objective if the overall average difference between assessed values and actual selling prices of all residential properties in an area is less than 10%. It also tests the accuracy of its mass-appraisal system using industry standards set by the International Association of Assessing Officers. However, in our view, these standards do not take into account and, in effect, can hide significant variances with respect to individual property assessments. These variances most often occur because the Corporation does not have up-to-date accurate data from a recent property inspection; nor does it investigate the circumstances surrounding property sales in a timely manner.

The Corporation's failure to inspect sold properties and make appropriate data corrections contributes to significant variances between sale prices and assessed values, often because the assessment does not reflect the physical characteristics of the property at the time of the sale. In our view, this is problematic because it will result in incorrect values on individual properties, which may have property-tax implications for the affected property owners. The success or failure of the Corporation's appraisal system depends in large part on more timely property inspections and sales investigations.

We gauged the accuracy and consistency of the assessed market values assigned to individual properties by comparing the 2007 and 2008 arm's-length sale prices of 11,500 properties from 24 locational neighbourhoods across the province against those properties' assessed market value on January 1, 2008. Our comparison found that for 1,400 of these properties—one in eight—the assessed market value differed from the sale price by more than 20%. Of these, just under half sold for more than 20% above assessed value while just over half sold for more than 20% below assessed value.

In many cases, the difference between assessed market value and actual selling price was substantial. Examples of sale prices that were substantially higher than the property's assessed market value are shown in Figure 4. We noted that some municipal tax revenues have been permanently lost for the properties sold in 2007 because of the three-year statutory limit on retroactive reassessment of property and levying of tax for reassessed properties.

Examples of sale prices that were substantially lower than the property's assessed value are given in Figure 5.

As well, senior Corporation officials advised us that they expected staff to investigate any instance where the difference between assessed value and

Figure 4: Examples of Sales Prices that were Substantially Higher than the Property's Assessed Market Value

Source of data: Municipal Property Assessment Corporation

Jan. 1, 2008 Assessed Value ($)	Date Sold	Selling Price ($)	Difference $	Difference %
588,000	May 2008	1,425,000	837,000	142
874,000	Nov 2007	2,099,056	1,225,056	140
714,000	Apr 2008	1,635,000	921,000	129
654,000	Mar 2008	1,382,000	728,000	111
795,000	Mar 2008	1,650,000	855,000	107
743,000	Dec 2007	1,500,000	757,000	102
690,000	Jun 2007	1,200,000	510,000	74

Figure 5: Examples of Sales Prices that were Substantially Lower than the Property's Assessed Market Value

Source of data: Municipal Property Assessment Corporation

Jan. 1, 2008 Assessed Value ($)	Date Sold	Selling Price ($)	Difference $	Difference %
330,000	June 2008	100,000	230,000	70
217,000	May 2007	85,000	132,000	60
335,000	Oct 2008	150,000	185,000	55
223,000	May 2008	120,000	103,000	46
343,000	May 2007	212,000	131,000	38

selling price exceeded 30% and, where warranted, to make adjustments to assessed values. However, there was no formal requirement to carry out such investigations and it was unclear on what basis the 30% threshold had been determined.

The above notwithstanding, we found that for all 1,400 properties in our sample where the sales value differed by more than 20% in either direction from the property's assessed value (including all of the above examples, where the differences ranged from 35% to 142%), the Corporation had not investigated the reasons for these differences and had made no adjustment to the assessed values of these properties as of the end of our fieldwork in April 2010.

It is important to note, however, that our own discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information that the Corporation provides.

RECOMMENDATION 1

To help ensure that individual properties are assessed in accordance with the *Assessment Act* at the amount that a willing buyer would pay to a willing seller, the Municipal Property Assessment Corporation should:

- formally establish a threshold above which differences between a property's sale price and its assessed market value must be investigated within a reasonable period of time; and
- where warranted, adjust the property's assessed market value accordingly.

CORPORATION RESPONSE

We agree with the Auditor General's recommendation. As the Auditor General noted, the Corporation already has a requirement in place for field-office staff to conduct a sales investigation when the sale price of a property differs from its assessed value beyond a certain amount. The requirement for conducting a sales investigation will be reviewed by October 2010 and will likely incorporate such additional factors as the date of the most recent inspection, existence of outstanding building permits, and whether the property is atypical for the neighbourhood.

Where necessary, the Corporation will make adjustments to a property's assessed value as a result of a sales investigation.

BUILDING PERMITS

One factor that can push a property's assessed value significantly higher, particularly relative to other nearby properties, is the completion of an addition or a major renovation. Municipalities provide the Corporation with copies of building permits they issue so that it can inspect these properties and reassess them as required.

We understand that only one of the Corporation's 33 regional offices receives formal notification from its municipalities that building-permit work has been completed. At the other 32 regional offices, the onus is on the Corporation itself to determine whether building-permit work has been completed and to conduct inspections of these properties in a timely manner to ensure that any required reassessment is done as soon as possible and at least within the statutory three-year window for retroactively assessing property tax, which includes the current calendar year plus the two preceding calendar years.

As of December 31, 2009, there were almost 18,000 residential building permits (including multi-unit residential properties), each worth more than $10,000, that had been issued more than three years ago. The total value of these permits was approximately $5.1 billion.

Our review of a sample of these building permits from across the province found that:

- For 30% of the permits, the Corporation had not determined whether the work was completed within the three-year limitation period for retroactively reassessing a property and levying tax.
- For 24% of the permits, a "scouting" visit had been made that determined the work had been completed. However, a full inspection of the property had not been performed and the assessed value had not been updated within the three-year limitation period for retroactively reassessing a property and levying tax.
- Scouting visits made for 46% of permits determined that construction work had not been completed.

RECOMMENDATION 2

To help ensure that inspections of properties for which a building permit has been issued are completed on a timely basis so that retroactive assessments and tax can be levied as soon as possible and certainly before statutory limits expire, the Municipal Property Assessment Corporation should:

- ask all municipalities in the province to provide the Corporation with formal notification when the work with respect to a building permit has been completed; and
- inspect and reassess the market value of all such properties before statutory limits on collecting additional tax expire.

CORPORATION RESPONSE

The Corporation will ask municipalities to provide this information. However, there is currently no legislative requirement for municipalities to do so. When asked in the past, municipalities cited privacy, a lack of resources, and other concerns in turning down the requests. We will also discuss the Auditor General's recommendation with the Ministry of Finance in light of the legislative change needed to make it mandatory for municipalities to provide this information.

We also note that, in early 2009, the Corporation and municipal representatives formed a working group to address this issue. The goal of the working group is to encourage all municipalities to provide the Corporation with timely and comprehensive building information. The working group expects to complete its deliberations by December 2010.

The Corporation will focus on inspecting properties for which a building permit has been issued and ensure that all eligible assessments are added to the assessment rolls in a timely fashion and within statutory limits.

REQUESTS FOR RECONSIDERATION AND ASSESSMENT REVIEW BOARD APPEALS

A Request for Reconsideration (RfR) of a residential property assessment may be filed only by the property owner or his/her legal representative. The deadline for submitting an RfR of a regular assessment notice is March 31 of the related tax year. If a property is reassessed during the year, the deadline for such a supplemental assessment notice is 90 days after the mailing of the notice. Ontario legislation requires that RfRs be in writing and indicate the reasons why the applicant wants a review of the assessment. There is no fee to file an RfR.

The Corporation is required to make a decision and respond to an RfR of a regular assessment by

September 30 of the tax year, unless the property owner and the Corporation agree to an extension, in which case the deadline is November 30 of the same tax year. The Corporation must make a decision and respond formally to RfRs of supplemental notices of assessment within 180 days of receipt of the RfR.

RfR property reviews are conducted by valuation-review specialists within each of the Corporation's 33 regional offices. Although there are no minimum work requirements for conducting an RfR review, a guideline that includes suggested steps and other related training was provided to valuation review specialists for the 2009 tax year.

Property owners filed approximately 138,000 RfRs in 2009, equal to about 3% of the total number of residential properties. We noted that province-wide for the 2009 tax year, 45% of all RfRs resulted in a reduction to an assessment that averaged 12% of the originally assessed amounts.

Our review of a sample of RfR files found that:

- for the 2006 to 2008 tax years, one in four RfR files did not contain any documentation to support the outcome of the review; and
- for the 2009 tax year, RfR file documentation was much improved and generally supported the outcome of the review, with only a few exceptions.

We noted that, although managers are required to review the files for RfRs that result in an assessment reduction of more than 15%, almost half of these files contained no evidence of the required managerial review. In addition, there was no requirement for managers to review, and in most cases managers had not reviewed, any RfR files that resulted in either no reduction or reductions of less than 15% of the assessed market value.

We also noted that for the 2008 tax year, residential property owners filed 980 appeals with the Assessment Review Board, 127 of which had previously been the subject of an RfR. The outcomes of these appeals were as follows:

- 22% of all appeals resulted in reductions to a property's market-value assessment averaging 10% of the originally assessed amount; and
- 30% of the appeals that had previously been the subject of an RfR resulted in reductions to the assessment averaging 14% of the originally assessed amount.

RECOMMENDATION 3

To help ensure that the merits of Requests for Reconsideration (RfRs) are properly assessed, and that the adjustments to the property's assessed market value are adequately supported, the Municipal Property Assessment Corporation should:

- establish mandatory requirements for conducting and documenting RfRs; and
- on a sample basis, conduct and document managerial file reviews of all RfRs, including those that result in no assessment changes, to ensure compliance with suggested requirements for conducting an RfR.

CORPORATION RESPONSE

We agree with the Auditor General's recommendation. Mandatory requirements for conducting and documenting Requests for Reconsideration (RfRs) were implemented in October 2009 and were effective for the 2010 tax year. The mandatory requirements will be regularly reviewed and assessed for compliance.

The Corporation will also incorporate a managerial review process for all RfRs, including those that result in no assessment changes, on a sample basis.

INSPECTIONS

As previously noted, the Corporation's assessment model estimates a property's market value based on sales of comparable properties in the same market area. To do this, the Corporation maintains an extensive database of up to 200 attributes for each residential property. Some of the key attributes for determining property comparability and, hence, estimated market values include:

- property location;
- lot size;
- building size, including finished basements;
- quality of construction;
- age and condition of buildings; and
- amenities such as garages, pools, fireplaces, central air conditioning, and extra bathrooms.

With the exception of property location and lot size, a property's other key attributes often change over time. The Corporation therefore needs to continuously ensure that the property information in its database is as complete and up to date as possible. It does so primarily through its property-inspection function.

Property Inspection Cycle

The Corporation did not have an established inspection cycle for residential properties prior to the release of the Ombudsman's report in 2006. As a result of a recommendation in that report, it established an inspection cycle in 2007 requiring that every property in the province be inspected at least once every 12 years. We noted that this cycle is somewhat longer than those in other jurisdictions that use market-value assessments and disclose this information publicly, and significantly longer than the International Association of Assessing Officers' recommendation that each property be reviewed every four to six years.

The Corporation was unable to provide us with accurate or meaningful information about the number of property inspections actually completed. For example, although it advised us that it had performed 272,000 property inspections across the province in 2009, we found this number to be significantly overstated for several reasons, including:

- Individual properties for which multiple building permits were issued were treated as multiple inspections—one for each permit—even though inspectors may only have made a single visit to the site.
- Many of the properties for which one or more inspections were recorded were in fact not inspected at all. For example, based on our review of a sample of inspection files, many recorded inspections were in fact "permit scouting" visits, essentially an inspector driving by the subject property without actually stopping to carry out an inspection.

We also noted the following:

- Province-wide, over 1.5 million residential properties—about one in three—have not been inspected or had their property attributes otherwise updated in more than 12 years. In one office we visited, that figure was almost one in two.
- For the four offices we visited, the vast majority of the reported inspections during the last two years related to properties for which a building permit was issued or for which an RfR or an Assessment Review Board appeal was filed. In fact, two of the four offices we visited did not select any other properties for cyclical inspection during that time.
- The two offices that did select other properties for inspection did not in the vast majority of cases select those at highest risk of under- or over-assessment based on, for example, high or low sale-price-to-assessed-market-value ratios.

RECOMMENDATION 4

To help ensure that the property information in its database is as complete and up to date as possible, and that it has reliable information with respect to inspections completed, the Municipal Property Assessment Corporation should:

- require that each regional office select annually at least some properties for an inspection based on the assessed risk of under- or over-assessment with a view to working toward meeting its 12-year inspection cycle; and

- maintain accurate and meaningful information with respect to the number and type of inspections completed (for example, sales investigations, building permits, and new constructions).

CORPORATION RESPONSE

We agree with the Auditor General's recommendation. A corporate plan to inspect some properties based on the assessed risks of under- or over-assessment as part of the 12-year inspection cycle is in place, and a corresponding work plan for each office will be established annually. Inspections of properties included in the 12-year inspection cycle will comply with the International Association of Assessing Officers' definitions for a physical review and acceptable alternatives including, but not limited to, digital imagery and neighbourhood reviews. We note that this may require additional resources.

The Corporation will clearly record in its central database the number and type of inspections completed as well as visitation and other types of property-information-validation methods used.

Inspector Workloads

The number of residential properties, inspectors, and the average number of properties per inspector for the province as a whole and for the four offices we visited are detailed in Figure 6.

As Figure 6 illustrates, the average number of properties per inspector varied significantly between the four offices we visited and, in two offices, it varied significantly from the provincial average.

There are currently no effective systems or requirements in place to monitor and assess the productivity of inspectors. However, we were advised that the Corporation has established an informal guideline that requires inspectors to complete between five and 11 inspections per day,

Figure 6: Inspectors per Residential Property in 2009

Source of data: Municipal Property Assessment Corporation

	# of Properties	# of Inspectors	# of Properties per Inspector
Ontario	**4,241,809**	**233**	**18,205**
Toronto	641,384	25	25,655
Richmond Hill	304,861	23	13,255
St. Catharines	155,187	8	19,398
Thunder Bay	111,953	6	18,659

depending on the type of inspection undertaken and the type of property inspected. We found that, in practice, the average number of daily inspections each inspector was reported as having completed for the last two years, both on a provincial basis and for the four offices we visited, was approximately five, but was as low as three in some other offices.

Assuming that inspectors continue to complete an average of five inspections per day and assuming no further growth in the number of residential properties, the actual inspection cycle on a provincial basis would be approximately 18 years. In the four offices we visited, it would range from about 13 to 25 years.

We also noted that the Ombudsman's 2006 report recommended that the Corporation review its staffing needs to determine whether staffing strategies can be identified and pursued for improving the accurate collection of property data. As a result of that recommendation, the Corporation improved training requirements and hired temporary contract staff to inspect properties. However, although the total number of inspectors peaked at approximately 320 in 2007, it has steadily dropped since then to about 230 as of the end of our audit in April 2010.

Quality of Inspections Performed

Information provided to us by the Corporation indicated that approximately one in four inspections resulted in a change to the property's assessed market value of greater than $10,000, or 5% of its previously assessed market value. However, the total increase in assessed market value is not known.

The requirements for conducting a residential-property inspection are clearly documented in the Corporation's Residential Data Collection and Sales Investigation Manual. Typical requirements include:

- creating a sketch based on exterior measurements (either on paper or electronically);
- observing and recording building details, such as roof style and finish, character of construction, presence of air conditioning, and so on; and
- describing and recording all necessary details on secondary structures, such as porches and pools.

However, the manual does not specify the minimum requirements for documenting residential-property inspections to demonstrate that the required work has been adequately completed. Our review of a sample of inspection files found some that were generally well documented and clearly indicated what work had been completed and what adjustments had been made as a result. There was, however, inadequate documentation in the vast majority of files we reviewed, and no documentation at all in some, to demonstrate what work, if any, was completed and what adjustments were made.

RECOMMENDATION 5

To ensure that inspections are conducted efficiently and are adequately completed and documented, and support the changes to a property's assessed value, the Municipal Property Assessment Corporation should:

- regularly monitor and assess the productivity of inspectors with respect to both the quality and average number of inspections being done each day;
- ensure that files are documented in compliance with acceptable standards and clearly demonstrate what work was completed and what assessment changes were made as a result; and
- oversee the success of each regional office in meeting the 12-year inspection-cycle target.

CORPORATION RESPONSE

As a result of the Auditor General's findings in this area, we will review our current practices for monitoring and assessing inspector productivity and the quality of inspections completed with a view to strengthening file documentation and the reporting of assessment changes. In that regard, the Corporation recently initiated time studies to benchmark productivity and quality of work performed by its inspectors.

The Corporation is already electronically tracking work completed and assessment changes in four of its larger offices (Mississauga, Oshawa, Peterborough, and Richmond Hill) with a view to rolling out this solution to all offices. In addition, the Corporation will conduct periodic internal reviews to monitor progress in achieving the 12-year inspection cycle.

Quality Control for Inspections Completed

For inspections that do result in a change to assessed value, there are supposed to be two distinct quality-control processes:

- Every inspection file must receive a supervisory review and approval by another inspector in the regional office.
- A corporate quality-control unit reviews a small sample of inspection files and re-inspects the subject property.

We believe that if done properly, these two processes would be adequate to provide a reasonable level of oversight in cases where an inspection results in a change to the assessed value. However, we noted the following:

- Reviewers must prove they performed supervisory reviews by signing off on a process-control sheet. In many cases, however, that sheet was not completed and there was no

other evidence to indicate what supervisory review work, if any, had been done.
- Over the last three years, the corporate quality-review function examined a small sample of files and found, on average, that 10% of the files it reviewed contained errors. Correcting these errors resulted in increases of more than 5% above the originally assessed value, which the Corporation considers significant. These results indicate that corporate-level reviews are operating effectively but that local-office reviews need improvement.

Even though the vast majority of inspections leave property assessments unchanged, the Corporation has no quality-control or other oversight process, either at the corporate or the regional level, to review a sample of inspections that resulted in no change to a property's assessed value.

RECOMMENDATION 6

To enhance the effectiveness of the current quality control function, the Municipal Property Assessment Corporation should:

- ensure that supervisory reviews of inspection files are properly completed and adequately documented as required; and
- include in its review process some inspection files that did not result in a change to a property's assessed value.

CORPORATION RESPONSE

We agree with the Auditor General's recommendation. The Corporation will review and update its quality-control procedures and ensure that supervisory reviews of inspection files are properly completed and adequately documented. The Corporation will also ensure that inspection files that did not result in a change to the property's assessed value will be included in its review process.

EXPENDITURES

Historically, the government has had a number of directives with respect to the acquisition of goods and services, and the reimbursement of travel, meal, and hospitality expenses, which government ministries and Crown agencies must follow. At the time of our audit, for example, government directives for the procurement of goods and services contained very specific requirements and accompanying documentation with respect to such things as:

- establishing the need for the goods and services to be acquired;
- assessing alternatives to be considered for fulfilling the need for goods and services;
- a competitive acquisition process for goods and services that cost more than established thresholds;
- contracting, including establishing and documenting measurable deliverables and time frames;
- the payment process to ensure that payments are made only for goods and services actually received; and
- evaluating contractor performance.

However, the Corporation is not a Crown agency, so the government's directives have not historically applied to it and the Corporation was never asked to follow them. As a result, the Corporation was given the discretion to develop its own policies and procedures with respect to the acquisition of goods and services and the reimbursement of travel, meal, and hospitality expenses for the period we audited. With respect to the desirability of having the Corporation's purchasing policies and procedures meet the spirit and intent of the government directives, we noted that this has never been communicated either through the Memorandum of Understanding between the Corporation and the Ministry of Finance, or through their respective staff.

In the latter half of 2009, after procurement practices at eHealth received significant public attention, the Ministry of Finance did notify the Corporation and other agencies of the need to comply with the government's procurement directive and its Travel, Meal and Hospitality Expenses Directive. With respect to consulting services, for example, mandatory requirements now include the use of competitive procurement processes for all consulting services regardless of cost, with limited allowable exceptions for non-competitive procurement. In circumstances where a non-competitive procurement of consulting services is undertaken, agencies such as the Corporation are now required to secure approval from both the deputy minister and the minister for assignments valued in excess of $100,000, and from Treasury Board/Management Board of Cabinet for assignments valued in excess of $1 million.

On an overall basis, the Corporation has made some headway in controlling staffing and other costs, especially given that the number of properties in the province has increased by about 20% since its inception in 1998. We also found that the Corporation had established reasonable requirements for determining the need for goods and services, and for acquiring them competitively, which were generally comparable with those of the government of Ontario. Corporation policies regarding the reimbursement of travel, meal, hospitality, and other miscellaneous expenses, while less restrictive than those of the government, were generally reasonable. However, requirements for contracting, processing payments to consultants and contractors, and contractor evaluations were either non-existent or largely ineffective.

Our review of a wide variety of expenditures for goods and services found that the Corporation did not comply with good business practices or with its own mandatory policies and procedures, where such existed. As a result, the Corporation was unable to demonstrate—and we were unable to determine—whether, for example, amounts were paid only for goods and services actually received and, ultimately, that they represented value for money spent. In addition, we noted many instances where reimbursements for travel, meal, hospitality, and other expenses appeared excessive or otherwise inappropriate in our view. Our specific comments are detailed as follows.

Establishing the Need for Goods and Services

The Corporation spent more than $50 million in each of the last five years to acquire goods and services. Its internal procurement policy states that goods and services can be acquired only after certain requirements have been met. These include:

- establishing a clear definition of the business requirements to justify the acquisition;
- considering alternative ways to satisfy the business requirements and ensuring selection of the most appropriate option; and
- preparing a properly authorized purchase requisition, which provides evidence of the authorization to proceed.

Our review of a sample of acquisitions found that, with few exceptions, there was no evidence of compliance with these requirements. For almost all the acquisitions we reviewed, there was no documentation to justify the acquisition or demonstrate that alternatives had been considered. In addition, the necessary purchase requisition form authorizing the acquisition was either missing or had not been approved in most cases.

Acquisition Process for Goods and Services

To help ensure that all vendors are treated fairly and equitably, and that it obtains value for money spent, the Corporation has established requirements for the competitive acquisition of goods and services. These vary with the type of purchase and the total anticipated cost, as detailed in Figure 7. However, we also noted that Corporation policy permits purchasing procedures other than those described above when appropriate justification is provided.

Our review of a sample of expenditures for goods and services that should have been acquired competitively found that:

Figure 7: Competitive Acquisition Requirements, as of October 2009

Source of data: Municipal Property Assessment Corporation

	Minimum Requirement
Consulting Services	
less than $5,000	single source acceptable
$5,000–$50,000	1 or 2 written quotes
$50,000–$100,000	3 or more written quotes
$100,000 and over	formal tendering
General Goods and Legal Services	
less than $5,000	single source acceptable
$5,000–$50,000	1 or 2 written quotes
$50,000 and over	formal tendering

- For almost half of the acquisitions, there was no evidence that they had been acquired competitively as required. Specifically, there was either no documentation on file to demonstrate how the successful vendor had been selected, or why the acquisition had been single-sourced.
- For over half the acquisitions that had been competitively acquired, the documentation was inadequate to demonstrate what criteria or factors were taken into consideration in selecting the successful vendor. Common documentation deficiencies included:
  - a lack of criteria used to evaluate the proposals;
  - no evaluation or assessment of the proposals, such as completed evaluation sheets; and
  - no rationale for the selection of the successful vendor.

In one instance, for example, a multi-year contract with a potential value of over $450,000 was awarded to a vendor even though the vendor scored zero in all selection criteria and was the lowest-rated bid of the three received. The rationale for selecting this vendor was not documented.

We also noted that the Corporation's purchasing guideline for retaining professional services consultants specifies that total payments to a consultant for a project cannot exceed twice the price of the original agreement. However, we found many instances where contractual agreements for relatively small amounts had not been competitively tendered and were then amended numerous times, thereby substantially increasing the value of the original agreement—in some cases by over $1 million or by as much as 1,500%.

For example, we found instances where the Corporation awarded agreements worth just under $100,000 each to three different contractors with little or no supporting documentation. The agreements were each extended between 12 and 14 times and resulted in total payments of between $1.1 million and $1.6 million. In all three cases, some of the agreement extensions were approved long after the additional work had been completed and paid for.

RECOMMENDATION 7

To ensure that goods and services are acquired only when necessary and are the most appropriate in the circumstances, the Municipal Property Assessment Corporation (Corporation) should comply with its own procurement policy and ensure that each acquisition is:

- justified based on clear business requirements;
- the most appropriate option to satisfy the business requirement under the circumstances; and
- supported by a properly authorized purchase requisition that provides evidence of the authorization to proceed.

To ensure that all vendors are treated fairly and equitably and that it obtains value for money spent, the Corporation should also:

- acquire goods and services competitively in compliance with its own requirements and those of the Ministry of Finance; and
- prepare and maintain, for each transaction, adequate documentation to demonstrate why the successful vendor was selected.

CORPORATION RESPONSE

In fall 2009, we reviewed and strengthened our procurement policies, including the delegation-of-authority limits, to ensure compliance with those sections of the province's procurement directive pertaining to "Other Included Entities." All accountable managers had received training on procurement policies by the end of 2009. In January 2010, the Corporation implemented a new Enterprise Resource Planning system that supports multi-level electronic approvals for all purchase requisitions based on our delegation of authority. We will conduct periodic internal audits to report on compliance with these revised policies.

All purchasing documentation for each new contract is now completed and stored in a central file in the Purchasing Unit. This will assist in ensuring that all goods and services are acquired competitively (as appropriate) and that adequate documentation of vendor selection is maintained.

Contractual Agreements

The Corporation only established formal requirements for entering into written contractual agreements with its suppliers in October 2009. Prior to that, the form and content of any written agreement with suppliers was left to the discretion of the person who authorized the transaction—regardless of the size of the anticipated expenditure.

Our review of a sample of documentation supporting contractual arrangements between the Corporation and its suppliers found that:

- For some purchases of up to $300,000, a purchase order was the only document covering the transaction. However, the purchase order is a poor substitute for a contractual agreement because it contains no evidence that its terms were agreed to by the supplier and it lacks many of the usual terms and conditions that would normally be included in a proper written agreement.
- Although written agreements were in place for many of the acquisitions we reviewed, their usefulness was extremely limited for a variety of reasons, including the following:
  - 40% of the agreements were prepared and signed after the goods or services had been delivered and the underlying invoices had been received and paid; and
  - about half the agreements lacked normal prudent business terms and conditions, such as a ceiling price, project deliverables, and associated time frames. Without mutual agreements to cover such issues, it becomes more difficult to monitor the work of the supplier or consultant, and to resolve any subsequent disagreements.

In addition, many of the agreements had been approved by individuals who did not have the authority to do so.

Payments to Consultants

Our review of a sample of paid invoices for consulting services found numerous instances where invoices lacked sufficient detail to assess whether the amounts billed were in compliance with the contractual agreement or for services actually received. For example, Corporation supervisory staff often approved invoices even though they were not supported by individuals' timesheets or by any other documentation on file. As a result, the Corporation was unable to establish the reasonableness of the amounts billed and paid.

Where invoices did contain sufficient detail, we found that:

- In some cases, the hourly rates billed and paid for were higher than those agreed to in the contractual agreement. For example, consulting services that should have been billed at $62.40 per hour were being billed at $75 per hour.

- In most cases, reimbursements for travel expenses were not supported by receipts, even though this was often required by the underlying contractual agreement. For example, in the absence of any supporting documentation, the nature and reasonableness of an $11,000 travel-expense claim by a contractor could not be established.

Contractor Qualification and Performance Evaluation

The Corporation has no requirements for establishing the qualifications of potential suppliers and it only established requirements for evaluating the performance of its suppliers in October 2009. As a result, there were no requirements during the period we audited for assessing the qualifications of potential suppliers and evaluating their performance, except to say that extensions to consulting contracts ought to be made only if the consultant had satisfactorily completed previous work.

For all the agreements we reviewed, the Corporation had not documented its assessment of the qualifications of its suppliers and was unable to provide us with any contractor-performance evaluations, including any for those contractors who had received numerous contract extensions.

RECOMMENDATION 8

The Municipal Property Assessment Corporation should adhere to good business practices by ensuring that:

- it enters into appropriate written agreements with all of its of suppliers of goods and services and that these written agreements include all the normally expected terms and conditions, such as ceiling prices, expected deliverables, and associated time frames;
- all such agreements are approved by individuals with the authority to do so;
- supplier invoices contain sufficient detail so that the reasonableness of amounts billed and paid can be assessed; and
- it assesses and adequately documents the qualifications and performance of suppliers of goods and services.

CORPORATION RESPONSE

We agree with the Auditor General's recommendation. As part of the implementation of our new procurement and delegation-of-authority policies, the Corporation will ensure adherence to this recommendation and conduct periodic internal audits to assess and report on compliance.

Beginning in January 2010, contract values have been entered into our new Enterprise Resource Planning system when the contracts are established. All subsequent payments for invoices are matched against the agreed-upon contract price.

The Corporation will also establish a process for the evaluation and documentation of supplier qualifications and performance.

Travel, Meals, and Hospitality

Typically, employees claim travel, meal, and hospitality costs on an employee expense claim. In 2009, the Premier asked the external auditors of Ontario's agencies, boards, and commissions to review compliance with provincial policies regarding employee expense claims. Although the Corporation is not a Crown agency, we reviewed a sample of expense claims in light of the Premier's request. Our review of a wide variety of travel, meal, hospitality, and other expenses noted a number of examples that appeared questionable. Our specific comments are detailed as follows.

Travel

We found several instances where senior staff were reimbursed for travel to out-of-province destinations, the circumstances for which were questionable in our view. For example, one individual attended the "North American Conference on Customer Management—Inspiring Relationships for Profitable Growth and Personal Fulfillment" in Anaheim, California. Reimbursed costs for this trip totalled $5,953, including $2,500 for conference registration fees. In addition, staff were reimbursed on numerous occasions for hotel accommodations within close proximity to their normal place of work, which is a violation of the Corporation's employee expense policy.

We noted that the Corporation operates a fleet of approximately 220 vehicles assigned to the various regional offices, primarily for the use of property inspectors. We found that the use of these vehicles was generally well managed and controlled.

Our review of a sample of claims for the use of personal vehicles found that:

- In almost all cases, and contrary to Corporation policy, there was no evidence that the availability and use of a fleet vehicle was considered.
- The validity of one-quarter of the claims for the use of a personal vehicle could not be substantiated because neither the purpose nor the start- and end-points of the trip were provided. For example, one individual was reimbursed $400 for "meetings in Pickering and Muskoka," with no other details provided.

The Corporation also maintains a fleet of 12 boats (for travel to properties not accessible by road) with a total annual operating and maintenance cost of $26,000. Two of these boats were not used at all during 2009, and five were used less than 10 days during the year. Although one of the boats was newly purchased in 2009 for $11,300, the Corporation could not provide evidence that it performed an analysis to determine the number of boats needed and/or other options, such as boat rentals, to meet its needs.

Meals and Hospitality

The Corporation's current meal allowances for employees travelling for work or otherwise conducting corporate business total $38.50 per full day, which is slightly less than the meal allowance of the Ontario Public Service.

The policy also allows reimbursements above these amounts, when supported by original receipts. However, there is no apparent maximum limit.

Our review of a sample of reimbursements for employee claims for meals, hospitality, employee rewards, and customer promotion noted some that appeared either excessive or questionable in our view. For example:

- $955 was reimbursed for a dinner for 12 people at the CN Tower for a "department celebration of year-end results";
- $746 was reimbursed for a staff Christmas lunch for 16 people;
- $550 was reimbursed for a staff lunch for 31 people, who were not identified, aboard a day-cruise boat;
- $625 was reimbursed for 25 restaurant gift cards to be distributed as employee-recognition rewards, with no record of who actually received the gift cards;
- $125 was reimbursed for a fruit tray for the birthday celebration of an executive; and
- $1,700 was reimbursed for Taylor Made golf clubs, Nintendo Wii consoles, and iPod Touch models purchased as promotional gifts, with no documentation as to who received these gifts or why, given the Corporation's mandate, such promotional gifts were needed in the first place.

RECOMMENDATION 9

The Municipal Property Assessment Corporation (Corporation) should consult with the Ministry of Finance to determine whether it is the Ministry's intention to have the Corporation comply with the spirit and intent of the government's own directive for the reimbursement of travel, meal, and hospitality expenses. As well, the Corporation needs to adopt more rigour in enforcing its travel, meal, and hospitality policies.

CORPORATION RESPONSE

On October 2, 2009, the Corporation was advised by the Minister of Finance to comply with the government's Travel, Meal and Hospitality Expenses Directive. The Corporation has updated its policies to align with this directive and will conduct periodic internal audits to assess and report on compliance. In addition, the Corporation has enhanced its guidelines on hospitality and gifts with those of the Ontario Public Service. The Corporation's current policy now also includes mandatory requirements for both on-site and off-site business meetings and events.

The Corporation will rigorously enforce this policy through employee education and training, and through checks conducted by the Corporation's Finance Branch. We will also continue to conduct periodic internal audits to report on compliance. Appropriate action will be taken where warranted in the event of non-compliance.

INFORMATION TECHNOLOGY SYSTEMS

Prior to 1997, property-assessment tax rolls containing market-value-assessment information were prepared by the Ministry of Finance (and predecessor ministries) using its mainframe OASYS computer system. With the passage of the *Municipal Property Assessment Corporation Act, 1997*, the Corporation was established to perform the property-assessment function with, among other things, requirements that it:

- acquire its own office accommodation and facilities;
- manage its staffing needs; and
- develop its own stand-alone computerized information system, including the capability to maintain property information and prepare assessment rolls.

To assist in the transition, the Ministry of Finance entered into a Memorandum of Understanding with the Corporation that provided the Corporation with access to the Ministry's mainframe computer system until October 31, 2001, for a fee of about $3.5 million per year, or a total of approximately $17.5 million from 1997 to 2001.

The Corporation initiated a number of projects in an attempt to develop its own computerized property-information system as follows:

- In 2000, the Corporation initiated the Mainframe Elimination (MFE) project to develop its own computerized property-information system by October 31, 2001. This project was unsuccessful and the Corporation was unable to provide us with the business case or the approved budget for it.
- In early 2002, the Corporation initiated the Integrated Valuation Solution (IVS) project, which was to build on the previous MFE project. The Corporation's board of directors approved the IVS project based on a proposed budget of $4.8 million and an expected completion date of June 2003. The expectation was that IVS would give the Corporation the computerized capability to assess all types of properties, including residential, farm, multi-residential, commercial, and industrial.
- In late 2002, the Integrated Property System (IPS) project replaced the previous MFE and IVS projects. The Corporation's board of directors approved the IPS project based on a proposed budget of $6.2 million (a total of $5.1 million had already been spent on MFE and IVS) and an expected completion date of December 31, 2003.

The portion of IPS relating to residential and farm properties was completed in 2007. However, the portion of IPS relating to commercial, industrial, and multi-residential properties, as envisioned in the IVS and IPS projects, remains uncompleted. (We understand that the Corporation is currently in the process of examining the feasibility of acquiring this capability.) Instead, staff continue to use spreadsheets from an older system.

Even though a significant component of the required information technology system has not been completed, total costs to date have significantly exceeded project budgets, as detailed in Figure 8.

Although the IPS cost significantly more than originally anticipated to develop, its current functionality has a number of shortcomings, which have resulted in:

- regional offices having to use older spreadsheets for valuing many of the commercial, industrial, and multi-residential properties, and for tracking the Corporation's routine business activities, such as property inspections and processing property severances and consolidations; and
- users throughout the province being limited to read-only access to the system for a three-week period over November and December each year as the Corporation prepares its annual assessment rolls, severely limiting its ability to conduct normal operations, such as updating property attributes. By comparison, the Ministry of Finance's old OASYS system carried out shutdowns on a rolling basis and usually for just one to three days per region.

We also noted that no estimate has been made for the cost of any future system development to accommodate commercial, industrial, and multi-residential property assessments.

Both a review conducted by the Ministry's Central Agencies I&IT Cluster and our own review of project files and discussions with the Corporation staff found that a number of factors contributed to the significant cost overruns and delays in project completion. These included:

- original business cases that were vague in addressing the scope of the projects and established insufficiently detailed project deliverables and cost estimates;
- inadequate financial analysis to support the business cases;
- significant budget increases approved without adequate support and project expenditures insufficiently tracked; and
- the use of outside consultants almost exclusively to manage and staff all projects.

These concerns were compounded by the relatively weak contracting processes and expenditure controls identified earlier in this report. The Corporation should address these weaknesses as it continues to assess its options for developing future information technology system capabilities.

Figure 8: Budgeted and Actual Costs of Computer Projects, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Project	Approved Budgeted Costs ($)	Actual Costs Incurred ($)
MFE	unknown	1,700,000
IVS	4,800,000	3,400,000
IPS	6,200,000	28,600,000
Total Project Costs	**11,300,000**	**33,700,000**
additional Ministry of Finance charges for mainframe use after 2001	7,000,000	17,400,000
Total	**18,300,000**	**51,100,000**