

Legislative
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

SPECIAL AUDIT OF THE TARION WARRANTY CORPORATION

(2019 SPECIAL REPORT OF THE OFFICE OF THE AUDITOR GENERAL OF
ONTARIO)

1st Session, 42nd Parliament
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The Honourable Ted Arnott, MPP
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its Report and commends it to the House.

Catherine Fife, MPP
Chair of the Committee

Queen's Park
February 2021

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1st Session, 42nd Parliament

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INTRODUCTION

On November 27, 2019, the Standing Committee on Public Accounts held public hearings on the Auditor's October 2019 "*Special Audit of the Tarion Warranty Corporation.*"

The Committee endorses the Auditor's findings and recommendations, and presents its own findings, views, and recommendations in this report. The Committee requests that the Ministry provide the Clerk of the Committee with written responses to the recommendations within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified.

ACKNOWLEDGEMENTS

The Committee extends its appreciation to officials from Tarion Warranty Corporation and the Ministry of Government and Consumer Services. The Committee also acknowledges the assistance provided during the hearings and report-writing deliberations by the Office of the Auditor General, the Clerk of the Committee, and Legislative Research.

BACKGROUND

Tarion Warranty Corporation is a delegated administrative authority, created in 1976 to administer the *Ontario New Home Warranties Act*. Tarion's purpose is two-fold: the enforcement of builder new home warranties provided by builders to new home buyers, and the licensing of builders. Tarion does not provide actual warranty coverage – rather, Tarion acts as a financial backstop, compensating homeowners for a builder's failure to honour their warranty. Tarion is overseen by the Ministry of Government and Consumer Services (Ministry). Tarion receives no funding from the Ontario government; the majority of the organization's income comes from fees paid by builders, who collect money from prospective home buyers.

Tarion is overseen by a 16-member board of directors, with members appointed by the Ministry, Tarion's nominations committee, or the Ontario Home Builders' Association (OHBA). The Ministry established an accountability agreement with Tarion in 2010. Since the Ministry is responsible for monitoring Tarion's performance, it can also recommend legislative and regulatory changes to affect Tarion's operations.

AUDIT OBJECTIVE AND SCOPE

The audit objective was to assess whether Tarion has effective and efficient processes in place to

- administer the *Ontario New Home Warranties Plan Act* (Act) in a way that serves and protects homeowners; and
- license and regulate new home builders to ensure that they meet required standards of technical competence and financial capacity and comply with the Act.

In addition, the audit assessed whether the Ministry of Government and Consumer Services has effective oversight processes in place to ensure that Tarion is effective in administering the Act, and in licensing and regulating new home builders.

MAIN POINTS OF AUDIT

The Auditor found that “Tarion lacks effective processes and standards to consistently fulfil its dual mission of enforcing home warranties and regulating builders.” In particular, “Homeowners can lose their legitimate appeal rights for assistance simply by failing to meet Tarion’s tight deadlines ... [while] ... builders were not rigorously monitored by Tarion to ensure they operated knowledgeably and with integrity.”

Significant issues found in the audit include:

- Tarion dismissed thousands of requests for help from homeowners because the homeowners missed Tarion’s tight deadlines.
- Tarion found in more than half of its inspections that builders had not honoured their warranties.
- Builders with poor warranty records continued to get licences from Tarion.
- Builders were subsequently licensed by Tarion even when homeowners alleged that these builders had acted dishonestly and broken the law.
- The Ontario Builder Directory does not provide homebuyers with complete information on builders’ poor warranty histories.
- Tarion’s pilot program (partnering with 15 municipalities to prevent illegal building activity) is of limited effectiveness in preventing illegal building.
- Tarion’s call centre did not always provide accurate and helpful information to callers.
- Tarion’s senior management was rewarded for increasing profits and minimizing financial aid paid to homeowners.

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- Tarion did not collect enough security from builders to cover payouts to homeowners.
 - Tarion's communications about its role could lead some to believe that Tarion, rather than builders, provides the warranty.
 - Tarion stopped its yearly in-person public meetings in 2016.
 - Issues raised by Tarion's own Ombudsperson were not always resolved by Tarion.

ISSUES RAISED IN THE AUDIT AND BEFORE THE COMMITTEE

A number of significant issues were raised in the audit and during the Committee's hearings. The Committee considers the following issues to be of particular importance.

Tarion Board of Directors

The Auditor found that, over time, the relationship between the Tarion Board of Directors and the Ontario Home Builders Association (OHBA) created an imbalance that put the interests of builders ahead of those of homebuyers. For example, the Board decided to impose restrictive claim submission policies on homebuyers, while ignoring structural defects caused by builders prior to issuing licences to them. The Auditor also noted that Tarion regularly sponsors a dinner at the OHBA's annual conference.

The Committee asked what steps Tarion has taken to ensure that the board of directors represents the interests of homeowners and builders in a balanced way. Tarion shared that the current board of directors has five representatives from the building industry, four Ministry of Government and Consumer Services appointees, and two at-large independent board members. When asked how consumers are represented on the board of directors, Tarion explained that a Consumer Advisory Council (established in 2011 and open to the public) reports to the consumer committee of the board of directors.

The Ministry mentioned that the *Protecting What Matters Most Act, 2019* amended the *Ontario New Home Warranty Plan Act, 1990*, introducing new permissive powers that allow the minister to change the size of Tarion's board of directors, establish competency criteria for board members, and limit the percentage of members from a given industry on Tarion's board.

Committee Recommendation

The Standing Committee on Public Accounts recommends that:

- 1. The Ministry of Government and Consumer Services protect the interests of home buyers and ensure that homebuilders fulfill their warranty by formally requiring that Tarion's board of directors maintain a balance between representing the interests of homebuyers and home builders while maintaining consumer protection in its decision-making.**

Pre-Delivery Home Inspection Process

The Auditor found that Tarion provided homebuyers with confusing information on new home warranties and did not ensure that homebuyers received important information on their warranty rights on time. For example, homebuyers were not informed on a timely basis of the importance of documenting any defects that existed prior to taking possession. As a result, between 2014 and 2018, Tarion ruled in favour of builders regarding 2,700 defects.

The Committee asked Tarion about the restrictive time frames and deadlines that new homeowners must adhere to when submitting claims for defects. Tarion said that customer service standard time frames were implemented in 2003 after a multi-year consultation process. Prior to these standards, there was no clear definition of what constituted a claim, when a warranty started, and what reasonable repair timelines were. In addition, Tarion said that the pre-2003 claims-handling process was cumbersome and confusing for homebuyers. The time frame standards are intended to provide greater predictability in the claim submission process. However, Tarion agreed that the current claim submission process might be confusing for homebuyers, and needs to be made simpler to understand.

When asked why the maximum amount that Tarion pays when builders do not honour their warranty has remained unchanged since 2006, Tarion said this limit is the highest across all Canadian jurisdictions. The amount gradually increased from \$50,000 in 1989 to \$300,000 in 2006. Tarion stressed that when dealing with a home warranty, the cost of land is not included – the warranty only covers the built house.

The Auditor noted that builders have the right to initiate their warranty coverage as of the time a house meets the Ontario Building Code's minimum occupancy requirements—which is when a builder can require a homebuyer to take possession of a house. The minimum occupancy standards mean that a house may be deemed "finished" when it has only one working washroom and one working kitchen sink, even if the builders have not installed other elements such as flooring, kitchen cupboards, or tiling.

The Committee said that this definition of a "finished" house is problematic, as homebuyers who move into a new home trigger their warranty before all the elements of the house are built.

The Auditor's report outlined the following potential remedies for this issue:

- redefining the term "finished house";
- developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met minimum occupancy standards and ensuring that the one-year warranty coverage begins only after the items are finished; or
- working with the relevant ministries to expand what must be completed to meet the minimum occupancy requirement in the Ontario Building Code so that new home buyers are appropriately protected by their warranty rights.

The Committee asked whether the term "warranty" in Tarion's name might confuse homebuyers into thinking that Tarion is the warranty provider. Tarion explained that the builders are the ones providing the warranty, while Tarion steps in when builders fail to provide the warranty. However, Tarion does provide the actual warranty in two specific cases: when a builder becomes insolvent, and in instances of illegal building.

Committee Recommendations

The Standing Committee on Public Accounts recommends that:

2. Tarion Warranty Corporation

- a) **remove its two 30-day deadlines and allow homeowners to submit requests for assistance at any time during the first year of ownership;**
- b) **eliminate the 30-day deadline to request a home inspection;**
- c) **permit homeowners to update their listing of unresolved defects after submitting the initial listing; and**
- d) **significantly reduce the amount of time provided to builders to resolve defects before stepping in to help homeowners, and establish prescribed, transparent, and appropriate timeframes for fixing defects.**

3. Tarion Warranty Corporation either eliminate the word "Warranty" from its name or select a new name that better reflects its mandate.

4. Tarion Warranty Corporation address the issue of warranty coverage that starts before a house is truly finished by

- a) **redefining "finished house" for the purposes of homeowners' warranty rights and coverage period so that the one-year warranty period commences only once the home meets this new definition of a finished house; and**

- b) **developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met the minimum occupancy standard, and ensuring that the one-year warranty coverage begins only after the items are finished; and**
 - c) **working with the relevant ministries to expand what must be completed to meet the minimum occupancy requirement in the Ontario Building Code so that new home buyers are appropriately protected by their warranty rights.**
5. **Tarion Warranty Corporation increase the maximum limit of \$300,000 paid to homeowners when builders do not honor their warranty, to better reflect the costs of home construction in Ontario.**

Licensing and Regulating of Builders

Tarion defines a home builder as “a person who undertakes the performance of all the work and supply of all the material necessary to construct a completed home whether for the purpose of sale by the person or under contract with a vendor or owner.” The Auditor made fifteen recommendations in the section of the audit pertaining to the licensing and regulating of builders, addressing the findings below. The recommendations focus on updating Tarion’s licensing process, tightening the internal policies targeting builders’ accountability, and addressing the backlog of investigations into illegal building.

With respect to Tarion’s responsibility for licensing builders, the Auditor found that:

- Tarion did not require most licensed builders and site supervisors to take home construction courses.
- Licensing decisions made by Tarion did not always take into account poor warranty performance by builders, a history of major structural defects, access to funding, and legal permissions to develop land.
- There are no clear criteria for restricting or revoking a builder’s licence.
- Tarion does not have a builder code of conduct against which builder behaviour can be judged.
- Tarion did not hold builders accountable for the full extent of their warranty.
- The Ontario Builder Directory, compiled by Tarion, was missing important information about builders’ past performance and investigation results.
- There is a backlog of investigations into illegal building, going back to 2016.

With regard to the Ontario Builder Directory, the Committee asked why the database is missing important information such as the number of chargeable reconciliations, the number of homes with claims, and the amount paid in claims. Tarion said that the Ontario Builder Directory is the most comprehensive builder directory in Canada. Tarion further explained that currently there is a fairness-based exemption in place – if a defect is found but not disclosed, or if the builder is not given an opportunity to fix the defect, the builder is not considered responsible, and the defects will not go on the builder's record in the directory. According to Tarion, this was the case for the builders involved in the Cardinal Creek Village project, an Ottawa subdivision where 15 out of 250 homes had issues of building code violations and mould.

Committee members also expressed interest in the process through which Tarion assesses the financial position of home builders to ensure that the builder does not declare insolvency before finishing a proposed project. Tarion explained that the process differs slightly based on the nature of the building company (freehold builder, small builder, medium builder, condo builder). In general, a new builder would have to show core competencies (including a business course), and disclose financial information including personal net worth statements, equity statements, and a credit check. The financial information is reviewed by Tarion on an annual basis. Tarion stressed that the business of building homes is complex, and that the financial review cannot guarantee the solvency of a given builder.

The Committee asked what criteria Tarion is using to revoke a builder's licence following an Ontario Building Code violation. Tarion acknowledged that up until 2012, Tarion took full responsibility for major structural defects. In 2012, Tarion's board of directors voted unanimously to shift the responsibility back to the builders. Before removing a licence, Tarion examines all the aspects of a builder's performance. Revoking a licence involves preparing a case and attending the Licence Appeal Tribunal. Tarion has other remedies in place when revoking a licence is not appropriate, such as requiring the builder to undergo additional training, requiring inspections throughout the building process, or limiting the number of homes a builder is allowed to build.

Asked what practical measures are taken to discourage illegal home construction, Tarion shared that there is currently an educational pilot program running in a number of municipalities that is meant to act as a deterrent.

Committee Recommendations

The Standing Committee on Public Accounts recommends that:

6. Tarion Warranty Corporation

- a) specify what evidence must be submitted by builders to justify exempting inspection results from Tarion's licensing decisions;**
- b) verify with homeowners any allegations made against them by builders in all cases before approving the exemption of an inspection from a licensing decision;**

- c) review and update current policies to provide more guidance to inspectors for making decisions on exemptions, and require that they document their decision; and
 - d) publicly report the number of times each year that approval was given to exempt inspection results from licensing decisions.
- 7. Tarion Warranty Corporation strengthen its procedures to consider all data about a builder's past building-quality and warranty performance when deciding whether to grant a future licence.
- 8. Tarion Warranty Corporation
 - a) identify the best available external evidence (e.g., financial statements, promissory notes) that builders should provide when applying for a licence to establish that they have the financial means to complete proposed projects and honour their warranty obligations;
 - b) review all reasons leading to the cancellation of construction projects and factor these reasons into future licensing decisions; and
 - c) always collect and review the required external evidence from builders before making a licensing decision.
- 9. Tarion Warranty Corporation
 - a) establish and release publicly a builder code of conduct that clearly defines actions and behaviours by builders that would constitute dishonest conduct and/or lack of ethics and integrity;
 - b) establish clear consequences for builders who breach the code of conduct;
 - c) commit sufficient staff resources to initiate and complete investigations into all homeowners' complaints against builders on a timely basis; and
 - d) take into account important, relevant information confirmed through investigation (e.g., criminal record, convictions, bankruptcy, history of illegal building, information from other jurisdictions) in re-licensing decisions for builder code-of-conduct violations.
- 10. Tarion Warranty Corporation
 - a) establish clear and specific criteria to help determine when a builder's licence should be restricted or revoked for Code violations; and

- b) implement a risk-based inspection process to inspect homes for compliance with the Code during construction.

11. Tarion Warranty Corporation add the following information about each licensed builder, in clear and easy-to-understand language, to the Ontario Builder Directory

- a) all results of Tarion Warranty Corporation investigations that found the builder's behaviour lacked honesty and integrity;
- b) past convictions for illegal building activities;
- c) the number and percentage of homes with major structural defects that a builder constructed each year;
- d) the amount of money a builder paid or owed to Tarion Warranty Corporation;
- e) the number of defects under warranty that a builder refused to repair;
- f) the number of defects the builder refused to repair that were due to the builder's noncompliance with the Ontario Building Code; and
- g) cancellation of projects and reasons for the cancellation.

12. The Ministry of Government and Consumer Services

- a) provide Tarion Warranty Corporation with the ability to directly fine any individuals and/or corporations found to have engaged in illegal home construction;
- b) establish an appeals process for individuals and/or corporations wishing to dispute the fines imposed by Tarion Warranty Corporation; and
- c) establish a process by which Tarion Warranty Corporation can share information about illegal builders to governments (municipal, provincial, and federal) for investigation of potential tax evasion.

13. Tarion Warranty Corporation

- a) procure a case-management system to increase staff efficiency on investigations into illegal building activities; and
- b) commit the necessary staff resources to eliminate the backlog of investigations by the end of the 2020/21 fiscal year.

Government Oversight

The Auditor noted that lack of government oversight resulted in Tarion drafting and changing its own regulations. The Auditor found that the Ministry of Government and Consumer Services did not have effective systems in place to collect and analyse useful information from Tarion, and did not have performance indicators on which to evaluate Tarion's performance and efficacy.

Committee members expressed concerns regarding the Ministry's oversight of Tarion. Members were interested in Tarion's frequency of meetings with Ministry staff, and whether the meetings were at staff or management level. The Ministry explained that Tarion is a self-funded regulatory administrative authority, and, as such, sits at a certain distance from the Ministry. Further, the Ministry said that meetings with Tarion occur on a quarterly basis, on both the staff and senior management levels.

Committee members also expressed concern about the timing of the changes to Tarion's operations and policies. The Members asked why no changes were made before the Auditor's report was published, given that constituents were voicing their displeasure with Tarion to their MPPs. Further, Members inquired why no changes have been made since the Auditor's *Special Report* was published. Tarion said that the organization has never been audited before, and that this audit was an extensive 11-month-long process. When asked about why most recommendations presented by the Auditor are expected to be implemented by November 2021 and not sooner, the Ministry explained that the plan is for Tarion to produce a detailed implementation plan to the Ministry, and for the plan to be tracked on a quarterly basis.

The Committee heard that the Ministry is planning to establish a new, independent regulator of new home builders and vendors, the Home Construction Regulatory Authority. Once the regulatory authority is operational, Tarion would no longer be responsible for new home builders and vendor regulation functions.

Asked why Tarion has not held its annual public meeting since 2016, Tarion explained that public meetings were introduced in 2009, and discontinued in 2016 in favour of webcasts. Following the Auditor's recommendation, Tarion has committed to holding the annual meeting in a public forum starting in 2020.

Committee Recommendation

The Standing Committee on Public Accounts recommends that:

14. The Ministry of Government and Consumer Services

- a) consider requiring, in statute, a binding agreement between Tarion and the Ministry that sets out Tarion Warranty Corporation's accountability;**
- b) establish a process to track and analyze information provided by Tarion Warranty Corporation;**
- c) establish performance indicators and targets to measure Tarion Warranty Corporation's performance; and**

- d) assess Tarion Warranty Corporation's performance against these targets on a regular basis and take corrective actions where necessary.**

Tarion Operations

The Auditor noted several issues with Tarion's operations, including

- insufficient staff qualifications;
- an unresponsive call centre;
- lack of independence of Tarion's Ombudsperson's Office; and
- inappropriate compensation policies for senior executives.

The Committee inquired about the qualifications of Tarion employees who inspect defects in homes as identified by the homeowner. Tarion explained that while their staff come from a wide range of backgrounds, all employees are trained in defect recognition. Tarion further mentioned that 14 or 15 of its staff are qualified building code professionals, while stressing that field staff responsible for attending people's homes are not home inspectors, nor municipal inspectors.

Committee members expressed concern regarding Tarion's executive compensation practices, including the salary of Tarion's Chief Executive Officer and bonuses awarded to senior management. Tarion explained that the board of directors brought in senior people from the Rotman School of Management (University of Toronto) to design performance indicators and compensation programs for the organization. The executive compensation program was benchmarked against other administrative authorities in Ontario, as well as comparable public sector organizations.

Committee Recommendations

The Standing Committee on Public Accounts recommends that

- 15. Tarion Warranty Corporation should require staff who perform home inspections to obtain the Ontario Building Code certification or a professional equivalent including the necessary training, background, and understanding to ensure that inspections involving possible violations of the Ontario Building Code are conducted appropriately.**

16. Tarion Warranty Corporation

- a) review and revise the key performance indicators it uses in the corporate performance scorecard to reflect its mandate of regulating builders and assisting homeowners with warranty disputes; and**
- b) undertake a review to assess the current bonus pay method to determine whether it is consistent with public-sector practices, and adjust it accordingly.**

- 17. Tarion incorporate their financial statements in their public annual report, including an extensive quantitative and qualitative analysis that should include, but not be limited to, operations, compensation, legal expenses including and delineating those incurred with respect to homebuyer appeals, discussion of the reserve fund and claims, rationale and a trend analysis on this information.**
- 18. Tarion should base its executive compensation on a reasonable industry standard that is based on the compensation paid by comparable organizations.**

CONSOLIDATED LIST OF COMMITTEE RECOMMENDATIONS

The Standing Committee on Public Accounts recommends that:

- 1. The Ministry of Government and Consumer Services protect the interests of home buyers and ensure that homebuilders fulfill their warranty by formally requiring that Tarion's board of directors maintain a balance between representing the interests of homebuyers and home builders while maintaining consumer protection in its decision-making.**
- 2. Tarion Warranty Corporation**
 - a) remove its two 30-day deadlines and allow homeowners to submit requests for assistance at any time during the first year of ownership;**
 - b) eliminate the 30-day deadline to request a home inspection;**
 - c) permit homeowners to update their listing of unresolved defects after submitting the initial listing; and**
 - d) significantly reduce the amount of time provided to builders to resolve defects before stepping in to help homeowners, and establish prescribed, transparent, and appropriate timeframes for fixing defects.**
- 3. Tarion Warranty Corporation either eliminate the word "Warranty" from its name or select a new name that better reflects its mandate.**
- 4. Tarion Warranty Corporation address the issue of warranty coverage that starts before a house is truly finished by**
 - a) redefining "finished house" for the purposes of homeowners' warranty rights and coverage period so that the one-year warranty period commences only once the home meets this new definition of a finished house; and**
 - b) developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met the minimum occupancy standard, and ensuring that the one-year warranty coverage begins only after the items are finished; and**
 - c) working with the relevant ministries to expand what must be completed to meet the minimum occupancy requirement in the Ontario Building Code so that new home buyers are appropriately protected by their warranty rights.**
- 5. Tarion Warranty Corporation increase the maximum limit of \$300,000 paid to homeowners when builders do not honor their warranty, to better reflect the costs of home construction in Ontario.**

6. Tarion Warranty Corporation

- a) specify what evidence must be submitted by builders to justify exempting inspection results from Tarion's licensing decisions;**
- b) verify with homeowners any allegations made against them by builders in all cases before approving the exemption of an inspection from a licensing decision;**
- c) review and update current policies to provide more guidance to inspectors for making decisions on exemptions, and require that they document their decision; and**
- d) publicly report the number of times each year that approval was given to exempt inspection results from licensing decisions.**

7. Tarion Warranty Corporation strengthen its procedures to consider all data about a builder's past building-quality and warranty performance when deciding whether to grant a future licence.**8. Tarion Warranty Corporation**

- a) identify the best available external evidence (e.g., financial statements, promissory notes) that builders should provide when applying for a licence to establish that they have the financial means to complete proposed projects and honour their warranty obligations;**
- b) review all reasons leading to the cancellation of construction projects and factor these reasons into future licensing decisions; and**
- c) always collect and review the required external evidence from builders before making a licensing decision.**

9. Tarion Warranty Corporation

- a) establish and release publicly a builder code of conduct that clearly defines actions and behaviours by builders that would constitute dishonest conduct and/or lack of ethics and integrity;**
- b) establish clear consequences for builders who breach the code of conduct;**
- c) commit sufficient staff resources to initiate and complete investigations into all homeowners' complaints against builders on a timely basis; and**

- d) take into account important, relevant information confirmed through investigation (e.g., criminal record, convictions, bankruptcy, history of illegal building, information from other jurisdictions) in re-licensing decisions for builder code-of-conduct violations.

10. Tarion Warranty Corporation

- a) establish clear and specific criteria to help determine when a builder's licence should be restricted or revoked for Code violations; and
- b) implement a risk-based inspection process to inspect homes for compliance with the Code during construction.

11. Tarion Warranty Corporation add the following information about each licensed builder, in clear and easy-to-understand language, to the Ontario Builder Directory

- a) all results of Tarion Warranty Corporation investigations that found the builder's behaviour lacked honesty and integrity;
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- f) the number of defects the builder refused to repair that were due to the builder's noncompliance with the Ontario Building Code; and
- g) cancellation of projects and reasons for the cancellation.

12. The Ministry of Government and Consumer Services

- a) provide Tarion Warranty Corporation with the ability to directly fine any individuals and/or corporations found to have engaged in illegal home construction;
- b) establish an appeals process for individuals and/or corporations wishing to dispute the fines imposed by Tarion Warranty Corporation; and
- c) establish a process by which Tarion Warranty Corporation can share information about illegal builders to governments (municipal, provincial, and federal) for investigation of potential tax evasion.

13. Tarion Warranty Corporation

- a) procure a case-management system to increase staff efficiency on investigations into illegal building activities; and
- b) commit the necessary staff resources to eliminate the backlog of investigations by the end of the 2020/21 fiscal year.

14. The Ministry of Government and Consumer Services

- a) consider requiring, in statute, a binding agreement between Tarion and the Ministry that sets out Tarion Warranty Corporation's accountability;
- b) establish a process to track and analyze information provided by Tarion Warranty Corporation;
- c) establish performance indicators and targets to measure Tarion Warranty Corporation's performance; and
- d) assess Tarion Warranty Corporation's performance against these targets on a regular basis and take corrective actions where necessary.

15. Tarion Warranty Corporation should require staff who perform home inspections to obtain the Ontario Building Code certification or a professional equivalent including the necessary training, background, and understanding to ensure that inspections involving possible violations of the Ontario Building Code are conducted appropriately.

16. Tarion Warranty Corporation

- a) review and revise the key performance indicators it uses in the corporate performance scorecard to reflect its mandate of regulating builders and assisting homeowners with warranty disputes; and
- b) undertake a review to assess the current bonus pay method to determine whether it is consistent with public-sector practices, and adjust it accordingly.

17. Tarion incorporate their financial statements in their public annual report, including an extensive quantitative and qualitative analysis that should include, but not be limited to, operations, compensation, legal expenses including and delineating those incurred with respect to homebuyer appeals, discussion of the reserve fund and claims, rationale and a trend analysis on this information.

18. Tarion should base its executive compensation on a reasonable industry standard that is based on the compensation paid by comparable organizations.