



ISSN 1180-4327

Legislative Assembly
of Ontario
Second Session, 39th Parliament

Assemblée législative
de l'Ontario
Deuxième session, 39^e législature

Official Report of Debates (Hansard)

Wednesday 9 March 2011

Journal des débats (Hansard)

Mercredi 9 mars 2011

**Standing Committee on
Public Accounts**

2010 Annual Report,
Auditor General:
Ministry of Finance

**Comité permanent des
comptes publics**

Rapport annuel 2010,
Vérificateur général :
Ministère des Finances

Chair: Norman W. Sterling
Clerk: Trevor Day

Président : Norman W. Sterling
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Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

COMITÉ PERMANENT DES COMPTES PUBLICS

Wednesday 9 March 2011

Mercredi 9 mars 2011

The committee met at 1234 in committee room 1, following a closed session.

2010 ANNUAL REPORT, AUDITOR GENERAL MINISTRY OF FINANCE

Consideration of section 3.08, Municipal Property Assessment Corp.

The Acting Chair (Mr. Jerry J. Ouellette): I call this meeting to order. We're here to review a presentation on the Municipal Property Assessment Corp.

Just to explain the process and how it'll unfold: We'll give you an opportunity to make a presentation. After such time, the parties will be allocated equal time between the three parties for questions and answers, beginning with the official opposition. We usually start off with 20-minute timelines. We're very fair and reasonable, as predetermined by myself, and—yes, that was a little joke—we'll probably wrap up at about 14:45 of the clock, at which time we'll go into closed session to determine the further direction of the entire committee.

Before beginning, if you could identify yourselves for Hansard, it would be appreciated. We'll give you the time to begin. Once again, thank you for coming before us.

Mr. Peter Wallace: Peter Wallace, Deputy Minister of Finance and secretary to treasury board. I have with me two officials from the ministry: Allan Doheny, assistant deputy minister for the provincial local finance division, and Diane Ross, a director from the same division.

Mr. Dan Mathieson: Mr. Chairman and members of the committee, for those who don't know me, my name is Dan Mathieson and I am the chair of the Municipal Property Assessment Corp. I assumed this role last September. I was first elected to Stratford city council in 1995 and have been the mayor since 2003.

I'm sure many of you know the gentleman to my right, Carl Isenburg, MPAC's president and CAO, who is with me today. Carl began his career in assessment in Ontario 38 years ago and was appointed CAO of MPAC in 2004. He will be responding in detail to the Auditor General's report and recommendations. But before he begins, I would like to provide you with an overview of MPAC and some of my impressions of the organization, both as a business person and as an elected member of municipal council.

In my short months as chair of MPAC, I've been very impressed with what I have seen. This is a very professional organization, from field staff right through to corporate headquarters. Its staff is dedicated to what is often the thankless job of accurately and equitably assessing more than 4.8 million properties across the province, and I emphasize "accurately and equitably," for those are the foundations of assessment.

MPAC is one of the largest assessment jurisdictions in the world, and it is seen as a leader and a model by countries around the world. For example, China recently sent a delegation to Ontario for a year to review how we assess properties here. Independent reviews, both commissioned by our board of directors in the past two years, have confirmed that our models for assessing property in Ontario are accurate.

As the Auditor General notes, the Association of Municipalities of Ontario—which, incidentally, recommends my name to be on the board—says that municipalities are generally pleased with the assessment roll information MPAC provides. As well, property taxpayers also appear to be generally satisfied. They've accepted our assessments more than 97% of the time.

Regularly, we conduct information—and this is new study information that we've just received—regarding customer satisfaction surveys of provincial stakeholders, municipalities and property taxpayers. We use Ipsos Reid, an independent research organization. The most recent survey, done late last year, shows that almost 80% of property owners who contacted MPAC are satisfied with our customer service; almost 85% of municipalities rate their overall satisfaction with the assessment rolls and tax files as "very good" to "good"; and over 95% of MPPs, school board officials and provincial ministry officials rate their overall experience and satisfaction with MPAC as "satisfied."

There is much room for improvement, as we strive to always improve our lot with our stakeholders. We have accepted all of the recommendations in the Auditor General's report, with no reservations. We believe that the recommendations will make a very good system even stronger and better. While we recognize that improvements can and must be made, I can say without any hesitation that MPAC is an impressive organization and one that we can be proud of in Ontario.

I'll now ask Carl to provide you with a detailed overview of our progress in implementing the Auditor General's recommendations.

1240

Mr. Carl Isenburg: Thank you, Dan. Mr. Chair and members of the committee, I also would like to introduce several colleagues who are with me today. First is Larry Hummel, vice-president, valuation and customer relations business properties. He has 39 years of experience in assessment and appraisals. We've been in this business together for some time. Gerry Stuart is vice-president, corporate planning and services, and Antoni Wisniowski is our vice-president of information technology. They will be able to provide additional information, if needed.

I want to begin by reiterating that we welcome and agree with all nine of the recommendations made by the Auditor General in his report. We have completed a number of them and are on track to implementing all the recommendations by the end of this year. I believe that you have a detailed summary status table of the progress that we have made to date on each of the recommendations, and I will be happy to respond to any questions.

I'd like to take a few minutes to talk about our approach to assessment in general, and then focus on some of the Auditor General's findings.

As the Auditor General notes, our primary responsibility is to prepare an annual assessment roll for each of the province's 444 municipalities. The purpose of the assessment roll is to determine the allocation of the municipal tax burden across properties and taxpayers. Both the accuracy of assessed value for any single property and the equitable assessment of similar properties are crucial to getting the allocation right.

To do this, we assess more than 4.8 million properties. We do this every four years. This includes about 4.4 million residential properties, all at their current market value. In non-assessment-update years, we prepare and mail about one million property assessment notices a year, for a variety of reasons. In particular, we prepare property assessment notices for new properties that have just been occupied and for properties where renovations, additions or demolitions have taken place that will change the market value of a property. We also send out notices when the ownership has changed.

The Auditor General is correct when he says that it is reasonable to expect that each property will be assessed within a range that is reasonably close to its market value.

What is market value? To begin with, it is important to recognize that it is a range of value, not a singular number. As you all may have experienced in your own real estate transactions, a seller sets a value at which they would like to sell a property, as well as the minimum value at which they are prepared to sell that property. Similarly, a buyer sets a maximum value at which they are prepared to purchase a property, as well as a price at which they would like to purchase the property. Most likely, the sale price between a willing buyer and a willing seller under these conditions lies between the seller's

minimum value and the buyer's maximum value. MPAC uniformly assesses properties in the middle of this range. MPAC is committed to ensuring that every property in Ontario is assessed accurately and equitably.

We also recognize that in assessing more than 4.8 million properties, mistakes can be made. If an error has been made, we want to get it right—not at the highest value or the lowest value, but at the right value. This is why I can say with all sincerity that we welcome the recommendations. The auditor has pointed out a number of areas in which we can and should be doing a better job.

With that introduction, I would like to address the specific comments made by the Auditor General in the report and some of the updated information that we have included in the progress report shared with the committee.

First, we completely agree with the Auditor General that we need to do a better job of investigating sales on a more timely basis. When a sale occurs, MPAC needs to determine whether it is an open market sale. Not all sales are conducted as an open-market, arm's-length transaction between the willing buyer and the willing seller and therefore are not appropriate for use for assessment purposes. For example, distress sales, or sales to a friend or relative, can all lead to a sale price that is lower than a property's true current market value.

Unfortunately, MPAC provided the Auditor General with a number of sales that had been incorrectly identified as open market sales. MPAC has investigated 1,307 of the 1,400 sales noted in the Auditor General's report. Where the sale price was below MPAC's assessed value, we confirmed that approximately 25% were not actually valid sales. In figure 5, the Auditor General lists five properties that sold for significantly less than their assessed value. MPAC's investigation of these determined that, in fact, that was the condition in most of these cases. This would be sales between family, distress sales or abutting-neighbour sales.

There is also a natural randomness to the real estate market. The same property will sell for more or less, depending on the motivation of the buyers and sellers. MPAC cannot assess properties at their individual selling price, but we also ensure that the assessments are equitable. If five homes with the same physical characteristics sold within a specific range that was close to their assessed value and one did not, it would be incorrect and inequitable to change the assessed value on that specific property to better align it with its selling price.

In the case of sales above the assessed value, the cause is usually that new construction or a change to the property was not reflected in the assessment prior to the sale. In the majority of cases, the assessed value which MPAC had at the time of the sale was for a vacant lot, and the sale price was for a developed property. In these cases, MPAC would have corrected the assessed value as soon as the construction was complete and we had occupancy information. The assessment would have been added to the assessment roll. In a number of other cases, improvements had been made to the property without a building

permit, and the sale would have been MPAC's only trigger to investigate.

We investigated 1,307 properties. We found that there was no change to the assessed value of 720 of those; 126 assessments were reduced by a median amount of \$14,250, or about 8%; and 461 assessments were increased by a median amount of \$41,000, or 16%. These results were consistent with our experience with previous sales investigations.

Further, the most recent province-wide assessment update in 2008 shows that 97% of Ontario residential property taxpayers did not challenge their assessment. Of the 4.4 million residential properties, requests for consideration were filed against 138,000 of them, or about 3%. Following our review, we reduced approximately 40% of those assessments where they had asked for a review. In about half of those cases, the reductions were made as a result of missing or out-of-date data in our files. The other half were with further reviews or the result of local market adjustments. Assessments on the remainder of the properties remained unchanged. From our first assessment update to today, the number of assessment complaints has declined significantly.

All this being said, our detailed review of the auditor's findings reinforces the importance of timely sales investigations, on which MPAC has taken a number of actions. For the next province-wide assessment update in 2012, we will be validating sales from 2009 to 2011 through a variety of ways, including physical inspection and sales questionnaires. We've determined thresholds in each of the market areas across the province based on the assessment-to-sale ratios to prioritize the level of sales investigation. In each area, the greater the difference between the assessed value and the sale price, the higher the level of investigation. We're also reviewing and updating our performance standards to ensure that sales are investigated in a timely manner. We are committed to doing a better job of this aspect of our operations.

We also agree with the Auditor General that we need to find better ways to get information from municipalities about when work on building permits has been completed. For a number of years, we have asked, and worked with, municipalities for this information. To date, we receive occupancy information from 24 municipalities. As a result, we must spend significant resources tracking the progress of building permits, a number of which are delayed or simply remain incomplete.

1250

Adding assessment for new construction to the property tax rolls is a key focus for MPAC. We normally add about \$20 billion in new property assessment to the rolls each year as a result of new construction or renovations. Last year we had a record \$28.4 billion.

However, as the Auditor General points out, some assessment did not get added to the roll within the statutory period. In his summary, the Auditor General highlights 18,000 building permits where we did not inspect the properties within the statutory period for reassessing properties and levying the tax. He also notes that in

almost half of these situations, work had not been completed on the permit and could not be added to the roll.

However, in the balance of cases work was completed; we had not processed them within the statutory limit. That does not mean that the increased assessment will be lost forever. When the property is reassessed, it would have been captured on a go-forward basis. It does highlight the need for municipalities and MPAC to work more closely together on this issue, and we are actively working with other sources of information to help us identify when building permits are completed.

The timing of sales investigation and adding assessments to the roll both have an impact on the inspection cycles. Every assessment jurisdiction is being challenged by this question. British Columbia, with approximately 1.9 million properties, is facing a very similar challenge in keeping its property data up to date. In Saskatchewan, the legislation that sets a specific inspection cycle has been repealed because it could not be achieved.

As the auditor pointed out, assuming current staffing levels and no further property growth, the actual inspection cycle in Ontario is about 18 years.

The goal of an inspection is to make sure that the information we have about the individual property is correct. If we have the correct information, we can ensure that a home is being both accurately and equally assessed compared with similar properties in the neighbourhood or the community.

There are a number of actions that can be taken to increase productivity and accelerate our inspection cycle, and we are already undertaking a number of them.

We have added an additional 20 property inspectors to our staffing levels. We have implemented handheld computing devices for new construction in a number of offices in 2010. This system enables on-site electronic capture of property information with automated uploading and updating of our central system. In 2011, we plan expansion of this system to nine more offices, which actually account for approximately 80% of all new construction in the province. We've established detailed inspection work plans for each of our offices across the province. And, finally, we have updated our tracking and reporting procedures for inspection to better monitor progress.

I should also point out that physical inspections also have limitations. For example, we find that more and more, if not most, people are no longer at home during the day. As a result, verifying information on the interior of a property, such as whether or not the home has a finished basement, is increasingly challenging. Our goal of having updated information does not, however, necessarily require a physical inspection. For example, we are looking at other inventive ways to verify the physical characteristics of a property, such as phone surveys, mail-out questionnaires, as well as satellite and street imagery. This has the potential to significantly increase our ability to verify data on a property and bring us closer to our 12-year target. We think that the

initiatives that we are exploring or have under way will help us achieve this 12-year cycle.

Our ability to do all of this rests on our computer system. When MPAC was created in 1999, we inherited OASYS, a computer system that was almost two decades old at the time. So one of MPAC's first priorities was to develop a new computer system. However, the time frame and budget for the implementation plan for the system was not properly estimated in 2001, when it was first proposed. MPAC's needs had also changed.

In 2004, I was appointed as chief administrative officer and Antoni Wisniowski was recruited as vice-president of information technology. We were given the job of resetting the implementation plan, completing the system and ensuring that it would meet MPAC's requirements. We have done this.

The system was completed in 2007, and it works. It has been used successfully to produce the property assessment notices for all Ontario properties during the province-wide assessment update in 2008. It has also been used to produce over one million property assessment notices in each of 2007 and 2009, and again in 2010. It has been used to produce assessment rolls and products required by statute since 2007. It has enabled us to significantly enhance our operations and, at the same time, successfully eliminate our reliance on external mainframe services, which had an annual cost of \$3.5 million. We are using the system to produce values for 94% of the properties in Ontario.

In addition to producing property assessment notices for all properties in the province, we use the system to store the information for all of these 4.4 million residential properties. In this regard, the system is fully functional.

We are now investigating whether to use the system to generate values for commercial and industrial properties, or if there's a more appropriate and less costly off-the-shelf system that will allow us to do this. We expect to make a recommendation to our board this year.

With regard to the cost of the system, as I said a moment ago, the system that was proposed in 2001 was not properly estimated. I can only speak to the costs for the system incurred since 2004, when Antoni and I were asked to bring the system online.

One of the first things we did in 2004 was to review both the specifications and the costs. We also wanted to build as much as possible on the work that had already been done to keep costs down. As the Auditor General says, the original estimate to develop the system was \$11 million in 2001, and by 2004 the costs had grown to \$19 million.

After I became CAO in 2004, I asked for a complete review of our needs, the proposed system and the costs. In December 2004, we developed a revised estimate to complete the system for use in the 2006 assessment update at an additional cost of \$8.9 million.

MPAC was set to fully release IPS in 2006 when, following the Ombudsman's report, the provincial government announced the cancellation of the 2006-07

assessment updates. The cancellation necessitated MPAC returning to OASYS to produce the 2006 assessment rolls and required further enhancement to IPS.

In 2007, reliance on OASYS was terminated and MPAC's IPS was fully implemented. As a result of building the new system, we were also able to eliminate the \$3.5 million we paid to the provincial government every year to use its mainframe program. The system was brought in on time and on budget, under the revised project plan approved in 2004. More importantly, we have a system that works, and we are using it.

As we've stated before, there's always need for improvements, and we're continuing to focus on those improvements.

I would like to thank the Auditor General for confirming that we've established good policies for acquiring goods and services. As you can see from the undertakings in our summary status table, we have significantly strengthened those policies and are following the direction received from the government with respect to procurement, as well as travel, meals and hospitality. We're taking a number of steps to ensure our compliance, including employee training and audit checks.

I can assure the standing committee that MPAC takes the Auditor General's concerns regarding procurement and travel expenses very seriously. We've put a number of internal controls in place, including training for employees, and I am confident that these fiscally responsible actions will ensure value for money and serve the interests of the taxpayer.

In conclusion, I would once again like to thank the auditor for these recommendations. We agree that there are a number of areas in which we can improve the collection of information and ensure the accuracy and equity of property assessment, and we are taking significant steps to do this.

As we said in our overall corporate response, this will strengthen our operations and enhance our culture of continuous improvement.

Mr. Chair, I would be happy to answer any questions you may have.

The Acting Chair (Mr. Jerry J. Ouellette): Thank you very much for your presentation. We will begin questions in rotation.

I was in error: It is the third party that brought this forward, and the party that brings it forward is the one that has the first opportunity to do the questioning. So I'll turn the floor over to Mr. Tabuns for the next 20 minutes.

1300

Mr. Peter Tabuns: Thank you very much, Chair, and thank you very much for coming down today and making a presentation.

Were you aware before the Auditor General did his study about the variance between sale prices and what you were actually showing as assessments?

Mr. Carl Isenburg: Thank you for the question. Yes, we were. We actually measure; it's called the assessment roll quality. So there is a comparison afterwards, where

you measure the assessment to the sales ratio. In it, the variance would be indicated.

As was pointed out, these 1,400 sales fell outside—fell within the 20%. So yes, we are aware of them. There are efforts during the fine-tuning process, when we prepare those values, to address those. As you can see, we should have had a more timely review of those sales, and when we did finally follow up on those sales, you'll note that most of them did not change. Those that were changed, it was about 8% for those that we felt should have been adjusted lower, compared to the sale price. Those that were increased were about 16%, a lot of that due to brand new construction: particularly, I think, if you look at the example in the auditor's report, related to significant sales of properties—\$1.2 million, \$1.3 million, \$1.4 million—compared to an assessed value of only the vacant land.

So yes, there's a combination. What we have to do is do a better job of reconciling when these 1,400 outliers surface.

Mr. Peter Tabuns: How many years ago were you first aware that there was a substantial group of assessments that was not consistent with actual sale prices?

Mr. Carl Isenburg: Probably in 2009, as we came out of the assessment update in 2008 and reviewed our performance.

Mr. Peter Tabuns: You talk about a target of a 12-year inspection cycle. What's limiting you in that inspection cycle at this point?

Mr. Carl Isenburg: It's a number of fronts. One of them is competing priorities. We have significant growth in this province of Ontario, so we've focused on new growth. We've also been focusing on 2009, as usually in the year following the assessment update you end up with a significant increase in the number of requests for reconsideration and for subsequent appeals.

What I think is that we've had an issue here of letting some of these priorities override, where we should be actually targeting unique properties so that we actually improve upon that cycle. So this is why we're looking at additional staffing as well as alternative vehicles to confirm the information. We're exploring every avenue, and there may be resulting requirements of further additional resources as we go.

I'm confident that on a lot of those fronts we're taking now, we'll be able to achieve that 12-year cycle.

Mr. Peter Tabuns: You had a comment as well.

Mr. Dan Mathieson: If I could add to that, I think one of the challenges that we've faced—and Carl had outlined—is that there are fewer than 30 municipalities that give us building permit information in a timely manner. We're working with AMO, the Association of Municipalities of Ontario, to develop, for lack of a better word, an MOU with them to make sure that municipalities, when they issue building permits and as soon as they're completed and final inspection is done, instead of batching them for a 12-month dump to MPAC, do it on a monthly basis. This allows us to plan work flow better, which of course allows us to use our resources better.

What we're finding with some of them: They let them accumulate for 12 months, they drop them into a regional office; they get all this information, they sort through it and they try to get them done in a timely manner.

I think our municipal partners, who fund us, who do the funding, are starting to understand that they have a vested interest in the accuracy of the information we provide, but also in the timeliness. I think, in our own situation, the five municipal representatives on the board have to do a better job of working with our association to make sure that those people understand it, and that's something I'm committed to doing. We've started that with meetings with Pat Vanini, the executive director of AMO and, of course, the president of AMO. We're having a joint board meeting with them later this month to start talking about some of these issues. So it is on our radar, quite clearly.

Mr. Peter Tabuns: Okay. I just want to go back: If you're looking at having adequate resources and tools to provide timely assessments and timely inspections, what sort of staffing requirements are you looking at? And could you tell us a bit about those other tools that you're looking at using to make sure that you can meet your cycle targets?

Mr. Carl Isenburg: We've made a number of initiatives right now. We've identified at least 20 more inspectors at this time. We've also gone through a realignment of our staff; in other words, to line up better behind the various activities. We think we can gain some efficiencies there. There are a number of us looking at alternative sources for information. We're looking at other entities that can help us with confirming when changes occur to a property or something's been done. The electrical safety association, for example, when they issue an approval of the electrical system—that's a good indicator to us that the property's ready to be dealt with.

We're also looking at engaging the taxpayer directly with a sales questionnaire. So when we want to inspect properties, we're also looking at an opportunity to actually do an assessment record confirmation. In other words, share with the taxpayer the information we have on file, much like the enumeration process, to tell us if there are things that have changed so we can follow up on those. So there's the engagement that we have there.

More information: I do believe that looking at alternative sources of information such as satellite imagery, which will get you at least the outside view of whether the garage is still there or it's not there, as well as street-scaping, a look-about type of initiative, will all help us. It's not that we're looking for a singular source on this, but I think a combined source. We're targeting how we improve moving towards a 12-year cycle.

Continuous work has to be done on any gap analysis as well, if we're feeling that we can't achieve that. It's a work in progress, but I think we're taking the right steps in the right direction.

Mr. Peter Tabuns: And what kind of costs are we talking about, then, to get the corporation on to a 12-year cycle on a reliable basis?

Mr. Carl Isenburg: Currently, 20 additional property inspectors—if my math is right here—represent about an addition \$1 million or \$1.5 million. The others, we're trying to manage within our current budget. The idea is that, of course, we're trying to trade off on acquiring perhaps a piece of information at a nominally lower-per-unit value. It's very expensive to have people get in a vehicle and get out there, as I said before, and there are limits; even when you get out there, you don't always get access to the property. It's becoming a problem for us.

What we have to be careful of, though, is that as we change or move into these other opportunities to improve our inspection cycle, we still want to be compliant within our standards. We want to be able to say at the end of the day that this is an accepted way for us to confirm that the property is right. That, in itself, presents a challenge.

Mr. Peter Tabuns: Can you give us some sense of the value of forgone taxes that arise because you don't have timely information or haven't been able to do an accurate assessment?

Mr. Carl Isenburg: We've been looking at the 18,000 permits, as we said. On about half of them, work has not been started, and that's quite frequent. We're doing a review of how much we are looking at there. We've come to a conclusion that there are about, in actual eligible permits, 2,400 properties or so. We estimate that that, if it's totally at risk, may represent around 1%.

Mr. Peter Tabuns: One per cent of the total value of how much?

Mr. Carl Isenburg: Of the amount of assessment that we add annually to the assessment roll.

Mr. Peter Tabuns: Because I'm not familiar with the total value of the assessment, what would that 1% represent?

Mr. Carl Isenburg: I said earlier that last year we added \$28.4 billion. Total in the province, I think we're somewhere around \$1.7 trillion or better, in total value for the province.

Mr. Peter Tabuns: These are big numbers.

Mr. Carl Isenburg: Yes, they are.

Mr. Peter Tabuns: They're very big numbers

Are you aware of any other jurisdiction in Canada or in the United States where they're able to address these problems in ways that you think we should be emulating?

Mr. Carl Isenburg: I belong to a group called the Canadian Directors of Assessment—in other words, 10 of us get together once a year—and we share the same concern. It is—I don't want to say—an almost impossible hurdle, but everyone is looking at different ways to do this.

I'm not aware of any right now in Canada that are actually on a fixed cycle. As I said before, the Saskatchewan Assessment Management Agency had a section in there where I believe they were required by law to produce a 12-year cycle, and that was repealed last year because they couldn't achieve it.

1310

In the United States, it is a much more fragmented assessment system. You have lots of counties and so on. I

can't really speak to the experience in the United States. You see it every once in a while, in readings or papers, where they're struggling with how to keep their property data up to date.

If you look at the International Association of Assessing Officers, usually most assessment jurisdictions subscribe to their standards. They recommend four to six years, which is very aggressive. Personally, I'm not aware of any assessment jurisdictions actually achieving that. They've come out with new standards around what else you can look at as satisfying the requirement to inspect a property. So they are now encouraging other ways and recognizing that other standards have to be in place to achieve that.

Four to six years is a very expensive undertaking. I have not analyzed what it would take to try to get to that level.

Mr. Peter Tabuns: Why do they recommend four to six as opposed to 12?

Mr. Carl Isenburg: That's been long-standing. I think that's being revisited as we're facing the realities today. It has been quite a long time. As long as I've been in the business, I've known it. That's kind of the standard they're promoting.

Mr. Peter Tabuns: A standard that's promoted that no one comes close to?

Mr. Carl Isenburg: We find ourselves challenged. Like I said, I don't know of anybody who's meeting that criterion.

Mr. Peter Tabuns: As new subdivisions are brought on stream as we expand, can you tell us that you're able to bring assessments in a timely manner that allows us to avoid forgone revenue?

Mr. Carl Isenburg: I've put in place for us performance objectives, and we are targeting to have these new assessments on within six months of occupation. We're not quite there yet, and we'll probably go through some growing pains as we catch up on some of this work, but it'll highlight others that have come close or have been missed.

We can make an assessment for the current year and previous two years. So we can cover three years without any risk of losing an assessment. Our preference is to have it up to date. I believe that is in the interests of the taxpayer, who doesn't want to face a three-year tax bill, and of municipalities having their funds available to them when they should.

Mr. Peter Tabuns: Your target now: If what you're working towards is six months, what's your average performance at this point?

Mr. Carl Isenburg: I don't have the exact numbers, so I'd want to be careful. But we're probably approaching more like 10 or 11 months.

Mr. Peter Tabuns: That's substantial. I don't have any further questions at the moment, Mr. Chair.

The Acting Chair (Mr. Jerry J. Ouellette): Thank you, Mr. Tabuns. We now move to the government. Ms. Sandals.

Mrs. Liz Sandals: Welcome. I'm looking at pages 198 and 199 of the auditor's report, where you already had talked a bit about properties that were undervalued and overvalued. What struck me in figure 4 is that, at least in the examples that are given here, the properties which were undervalued seemed to be quite high-end properties in the examples which are given here, and the properties which are overassessed seemed to be much less expensive: lower-cost properties. It may just simply be a function of the examples that were chosen, but what seems to be presenting there is a trend of big, expensive properties perhaps being underassessed and small properties being overassessed, which, if that was a general trend, would mean that the property tax burden was being shifted from high-end to low-end, which is presumably not good social policy. I'm not sure that is what's going on.

My first is perhaps a war story I've shared with you before, but this would, I think, be back in the late 1990s—and this is Muskoka. I think what was happening was that perhaps Muskoka was a pilot for developing the software. We happened to have in the family an old 1950, prefab, tiny cottage, which we took over from my aunt. I got the first assessment bill and was absolutely, totally horrified, because it didn't seem to have anything to do with anything. Being sort of mathy and analytical—and this is why this chart hit me. I actually proceeded—this was in the days when the old Bracebridge assessment office was on Pine Street. I marched over to Pine Street. You could get all the assessment data. So I said, "Thank you very much. I'm a beggar for punishment," and walked away with scads of printouts, and went through and very methodically pulled out all the ones that had actual sales prices. I did the trend line and found exactly what is in this chart, which is that the high-end properties were underassessed and the low-end properties were overassessed.

Then I marched off to the Assessment Review Board, where, after everybody scratched their heads and went out for lunch for a while, they came back and said, "Thank you, Ms. Sandals. You've found out that we're consistently wrong, but that's okay because we're consistent," and sent me away.

I was very relieved to hear both of you say today that your standard is now accuracy and equity, so I'm assuming that if that story were to repeat today, being consistently wrong wouldn't quite meet "accurate and equitable," so I'm hoping that that would not be the result.

At any rate, the similar trend caught my attention. You spoke about going through the examples that the auditor had identified and actually analyzing them. I'm wondering if, after you pulled out the ones where there was some explanation—it wasn't an arm's-length sale or it hadn't been updated because of improvements, or whatever. After you pulled out all those and you were left with the truly under- and overassessed, did you do any trend analysis to see what you had left in those that were truly under- or overassessed?

Mr. Carl Isenburg: As I said earlier, there were about 721. We looked at all 1,300. There was actually no change. So yes, we looked at those. Because there was a distribution of those above and below, it is an issue of coming back to the central point.

What we found when we reviewed these is that it was more about the timing and the data than the modelling of being over- or underassessed relative to high-priced properties or low-priced properties. We haven't gone back and recast the coefficient of dispersion—in other words, how you measure how far away you are. You want to get that as close to one as you possibly can.

We also note, as I said in figure 4 and as you pointed out, that we have reviewed each one of those values. Again, it is more of a timing of getting that new assessment on. Our finding there, in that case, was that if we looked at the very first one of \$1.4 million but we added the new house, we were at \$1.1 million. In the second one, we're at \$1.6 million. In other words, we're now lining up with what sold.

I believe that the assessment here unfortunately reflected only the vacant land and the sales reflected only the proof of property.

Mrs. Liz Sandals: Okay. So you're getting vacant land to construction, as opposed to some sort of upgrade to the residence. It actually is construction?

Mr. Carl Isenburg: Correct.

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Mrs. Liz Sandals: Okay. The flipside of that is demolition, because, having looked at what was going on in the neighbourhood I was in, it looked as though—and this is certainly a Muskoka phenomenon, but I'm thinking it's also a phenomenon in lots of downtown core areas in Toronto, for example—low-end properties almost always resulted in demolition. But the methodology of the time was, if the building was demolished, it was pulled out of the sales sample as not being a true sale, when in fact almost all low-end properties were sold for the purpose of being demolished, and that's what their market value was. That was actually their market value, yet they were all being pulled out.

Has that methodology changed at all so that you look at neighbourhood-specific—maybe it's not neighbourhood- but at least area-specific modelling? What are market value conditions in one area may be different from the assumptions in another area.

Mr. Carl Isenburg: Absolutely. We break down the province into a number of market areas. Each one would have their own unique characteristics, which includes—we'll have something unique to Muskoka or unique to a smaller urban centre versus infill areas in the city of Toronto, and a lot of these samples here were actually these infills. You're quite correct: property, typically, on an infill situation will probably sell for only its land value. It's improved, but really only the value is left. If any analysis is made of those sales, it would be towards the establishment of land values. We discount the value of any improvement on that, because it would be inconsistent—

Mrs. Liz Sandals: But what seemed to be happening at the time is that they were actually being taken out of the equation as comparators.

Mr. Carl Isenburg: For improved properties.

Mrs. Liz Sandals: But then the discrepancy seemed to be that if you have an improved property, it's going to be sold and somebody else is going to knock it down, is what I'm saying. So it was almost like all the real comparators were getting pulled out of the equation in those particular areas.

Mr. Carl Isenburg: Those comparators would be removed.

Mr. Dan Mathieson: If we could ask Larry—

Mr. Larry Hummel: What we do now is, we're able in the system to capture a sales snapshot; that is, what were the circumstances at the time of sale? I think you're probably referencing a point in time when we didn't have that ability. Now we do. So we can capture that this was the sale of a lot with a little house on it, and we would capture the details of the property at the time of sale, and we can use that information in our analytics to be able to come up with a better value.

Mrs. Liz Sandals: That's what I'm asking. You've now morphed into a more sophisticated world where you can say, "This is a property with a little house on it. It's likely to be demolished. Let's use that as the comparator for all the other little houses in the neighbourhood that are likely to be demolished," so that it actually stays as a comparator for similar properties in your model.

Mr. Larry Hummel: Yes.

Mrs. Liz Sandals: Okay. That is a good improvement.

Mr. Dan Mathieson: If I could add to that: In the effort for transparency, people can log on to our website now, AboutMyProperty, and they can pick 25 comparators at any time. So the person who owns that little house, who is on the street where everybody else has torn one down and put one up, can now go through and say, "I want 52 Morgan St., because it's mine," and we actually have the ability for them to see the transparency.

So it's taking it from a formulaic piece and actually putting it into a transparent piece. Property taxpayers can actually look at that. We have 240,000 unique users of our website this year, looking at their property data, so we've made great strides in trying to be transparent on these types of issues.

Mrs. Liz Sandals: The other question I have is around the 12-year cycle, and you've described the difficulty in trying to meet that. I commented to the auditor that I don't always 100% agree with him. Sometimes I've been known to slightly disagree. It struck me that on this one, if you can't meet the 12-year cycle, the better strategy might be to identify properties at risk. We've already talked about one where there's a discrepancy between assessed value and sales value. You've got a problem with waterfront and those sorts of properties, because they're unique; you've got a property with urban infill neighbourhoods where you've got a little teeny guy next to a monster infill. Have you thought about using, or are

you using, a strategy that says, "Concentrate the on-site inspections on those which are most likely to be inaccurate"? My observation would be that, if you've got an urban subdivision where everybody is pretty much the same, you actually do a really good job. Have you thought about another strategy?

Mr. Larry Hummel: Yes, and that is an important aspect of our strategy, to target those areas that are at high risk.

There also is an equal requirement to make sure that we're treating everybody equally across the province, ensuring that everybody has the same high quality of assessment, not just the ones that we target, so we have to be very mindful of that.

We are identifying high-risk areas: areas where there's a high rate of appeal; old housing stock where we haven't been inspecting. In order for us to inspect efficiently, we should be actually going door-to-door. We shouldn't be going out and targeting this property in the block and then, three blocks over—that is very expensive to do that. So we want to target an area and then blanket that area that's at high risk so that we're treating everybody in the neighbourhood in the same way.

That is the strategy, but it's to identify that high-risk area, flag those properties and then target all of the properties in that neighbourhood.

Mr. Dan Mathieson: If I could add to that: On behalf of our municipal partners who pay the freight, I think I'd have a tough time telling some of them that we have a strategy to deal with, say, the Waterloo region, because it's a higher growth area, and you don't get the same resources in Wingham, per se. I think that the Auditor General might have a joke about that, being from mid-western Ontario. But that's the strategy.

From an MPAC standpoint, we try to keep equitable amongst all our 444 partners who help pay our budget.

Mrs. Liz Sandals: Fair game.

You mentioned appeals. I'm wondering what sort of changes or improvements you've been making in the appeals system, which is where people often encounter you so that's someplace where you want people to have, if not friendly dealings, at least civil dealings.

Mr. Carl Isenburg: There have been a number of changes made to the appeals system, and I'm going to include in that the request-for-reconsideration process as well. There has been a fundamental change. There were several changes introduced by the government in 2008, and that was really designed to improve that whole appeal process.

For example, residential, farm and managed forest property owners: It was a mandatory requirement to file an RfR. This was a problem because previously, you could have an RfR all year long, but you had an appeal deadline as of March 31 of that tax year, meaning that you had to make your decision and you also had to pay \$75 residentially to file that. That was eliminated with that requirement.

That's for residential, farm and managed forest. For commercial-type properties, they didn't have to file an

RfR but could, if they liked. But they'd have to file an appeal by March 31 to protect their interest.

I believe that that has greatly enhanced the flow and the process. We now have to respond to the RfR no later than the end of September, and upon consent with the property owner we could move to a couple more months of work on that. Only then does the person who filed the RfR, once they have the information from us, have 90 days to decide whether to appeal that decision or—

Mrs. Liz Sandals: So after you have a proposed re-assessment, then they can decide whether to accept that or to go ahead with the formal appeal?

Mr. Carl Isenburg: Right. That's actually alleviated this time, though, when you file your \$75. It wasn't a refund if it got settled before you went to the hearing, but I believe it streamlined the process for the taxpayer, for MPAC and also for the Assessment Review Board, in the sense that they saw some order there.

There are also new rules of practice introduced by the Assessment Review Board. We now have to ensure that there are requirements of all parties to exchange their evidence 21 days prior to a hearing so that taxpayers know the case that MPAC has, so that there are no surprises. I believe you heard quite a bit of criticism in the past around: All of sudden something changes when you get to the hearing.

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For those appeals that do progress to a hearing at the Assessment Review Board, the onus has been reversed. You may recall that it was also introduced through legislation that MPAC now must, for cases of value, proceed first, where there's evidence. Prior to that, it wasn't responsible; in other words, the taxpayer had to lead. I believe you heard the comments around, "Why do I have to prove"—that whole question of MPAC proving those valuations. That, I think, has had a positive contribution to the appeal process as well. If, however, there's a question of the classification of the property or something other than that, then it still becomes the taxpayer's obligation to go first in that engagement.

The other major fact that was added and changed to it was that the Assessment Review Board has been constricted in adjusting a value. It has to meet two fronts. It can't be just simply on the accuracy of the property but also must be equitable. The equity portion was added back into the Assessment Act; it had been removed. Now there are two tests that have to be considered. That test is based upon, "Is it comparable to other sold properties in that neighbourhood or in that market area?" You can't have an adjustment that makes the assessment increase, but you can have an adjustment made to a level to make it consistent with those two requirements.

In the past, the taxpayers sometimes ran the gauntlet of potentially having an assessment increase based on evidence or based on our evidence or based on the Assessment Review Board chairman's interpretation of that evidence. So, there have been significant moves made on the appeal front.

Mrs. Liz Sandals: Thank you very much.

The Acting Chair (Mr. Jerry J. Ouellette): Mr. Miller.

Mr. Norm Miller: I guess I'll start off with a similar theme that's been hit on by some of the other members, and that is that the Auditor General reviewed evaluations for 11,500 properties which had recently sold at arm's length. One out of eight, or 12%, proved to be assessed for either 20% higher or lower than the value of the property sold. With 4.5 million residential and farm properties, that works out to more than half a million properties in the same situation.

Recognizing that there is a fair number of properties where the value is 20% off, it would seem to me that the most accurate information to do with market value is the actual sale information, the sale price. How does the sale information on a property make its way into the MPAC database, and how long would it take the assessed value to be updated to the actual selling price?

Mr. Larry Hummel: For sales information, we receive a feed from the registry office via Teranet. We receive that nightly, and it's generally updated within 10 days of receipt. The ownership changes; the sale information is recorded into our database. As the president mentioned earlier, sale price, while it is regarded as the best evidence of market value—there are many instances where a sale price isn't a good proxy for market value. In those circumstances, we can't simply go to a sale price and assess at the sale price. We have to uniformly assess properties all along that street. Hypothetically, these homes that are almost identical should carry the same value. There are circumstances where that property might sell because of the individual circumstances with the buyer and the seller, and it may sell for higher or lower than the other homes on the street. But it would be inappropriate for us to give it a different value than the homes on the street.

Mr. Norm Miller: How do you flag that? That was going to be my next question. I know that Mr. Isenburg had stated that the sale price of a home is important, but it's not the only indicator of its value. Properties are sold under duress, and you gave a couple of other examples where the sale price might not reflect the market price. Do you know, first of all, how you flag those, and what percentage of all the properties sold that would be, that you consider the sale price not to be a true reflection of market value?

Mr. Larry Hummel: We use an assessment-to-sale ratio, and we score the local area based on the use of a bell curve to statistically determine which is an atypical sale price. Then we flag that sale price, depending on how widely it varies from what is viewed as typical, for action. The first step would be to do a physical inspection or do a sales questionnaire. Maybe if it was closer to our assessed value, we would simply do a desk audit. For many, many more, it would be so close to our estimated value that we would view that there was no need to undertake follow-up. There is a strategy and a program in place to flag these sales and to follow up on them.

Mr. Norm Miller: I guess it's easier in a uniform neighbourhood, but there is some sort of trigger that makes you look deeper into it, including a physical inspection.

Mr. Larry Hummel: It's important that we understand the terms of the sale. There are two issues, really. There's the sale itself, and: Under what conditions did the sale transact? You really need to understand from the parties in the transaction: Did it represent a willing buyer, a willing seller, acting knowledgeably, under no duress, in an open market? Was it a private sale? Was it an estate sale? Was it a forced sale?

Mr. Norm Miller: How do you establish that, though?

Mr. Larry Hummel: If it's not disclosed in some way on the land transfer tax statement, then we don't know. We then have to either send out a questionnaire or visit the property and talk to the property owner, the participant.

Mr. Norm Miller: MPAC failed to inspect 18,000 properties where building permits had been issued. This seems like low-hanging fruit. Why is it that these inspections aren't given a higher priority?

Mr. Larry Hummel: We have targeted building permits that are over two years old. Actually, we've re-engineered our business process as a result of the auditor's recommendation to more closely target this.

We receive over 200,000 permits annually. A lot of times, the permit information doesn't detail very much in the way of a description of the nature of the construction, or its value. As a result, in many circumstances, we're in the dark, and we don't know when that property is completed. Therefore, we've been actively reaching out to other sources of information, working with our municipal stakeholders to try to get better information.

We are rigorously following up now. If we don't receive a building permit listing from a municipality, staff from our municipal representatives go out and speak to them about it so that we get it. We're working hard with them to try to get better information so that we are efficient and timely.

Mr. Norm Miller: Hansard would probably appreciate me telling you to back off the microphone a bit; they're fairly sensitive.

That was where you were saying that only 30 municipalities were providing timely information, and you're working on an MOU get a more timely process on building permits?

Mr. Carl Isenburg: We are working, actually, closely with AMO on two fronts. One is getting access to the building permits and, as Larry pointed out, getting permit information in a standard form, just to get all the right information with the right values and what's identified as to what will happen there. We're seeing opportunities for improvement on how we're notified. Marry that up, then—and out of 444, there are about 270 municipalities that are sending to us electronically, which is our preferred way. Out of that, there are only about 25 or so municipalities that also issue us their occupancy permits.

Mr. Norm Miller: Showing that it's done, and the work is complete?

Mr. Carl Isenburg: Right. We think that's the right direction to take, because marrying those two up maximizes our ability to use our resources. Also, it's confirmation for us that there is work there that needs to be assessed. That way, both the municipality and MPAC are held accountable for the same information.

Achieving more participation in that is where we're working with AMO, with the clerks and treasurers, on how we get this information. This is why the recommendation from the auditor was to work more closely with municipalities and get that information from them.

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Mr. Norm Miller: It would seem to me that the municipalities, as I think you said, have a vested interest in trying to get that information quickly, because it will affect their total assessment and their taxes. Certainly, in my experience in business, the inspector seemed to be the first person to show up when I'd be building a new building.

Mr. Dan Mathieson: Often, the municipality is good on the front end—and I say that as a municipal leader in the province—but we have to get the follow-through all the way through. For us at MPAC, I think we need to work with AMO to show the benefit of a thorough system.

If we can increase assessment for them in a more timely manner and we don't lose any of what you call the low-hanging fruit, then when we ask for a 2% or 3% increase in MPAC's annual dues next year to keep our operation, if we can show a business plan that actually returns the revenue back to them in a more timely manner and it shows them the payback, I think a lot of them will agree.

We've got 270 out of 444 using electronic loading of data now. We just need to get that 30 that are actually doing it effectively up higher, and we need to get that other 270 to 444 in the mix.

Mr. Norm Miller: I just want to go back to the sale price reflecting market value. Rightly or wrongly, it's my belief that the sale price is the most accurate measure of what market value is. What sort of percentage do you consider it is? Do you figure it's 5%, 10%, 2% or 1% of actual sales where the sale price does not reflect market value? Do you have a percentage figure for that?

Mr. Larry Hummel: Again, we undertake our analysis of the performance of the work that we perform by looking at how close we are to the general level of appraisal. When I say "the general level of appraisal," all I'm saying is that, overall, the assessment and sale price should be at one.

I can show you that in the last assessment update, we analyzed over 600,000 sales in over 130 market areas. If I look at the average sale and the average CVA, you'll find that they'll be remarkably similar. They won't be identical, because we're dealing with large numbers and statistics. In each individual sale, there are some dynamics; there is some variation in the price that occurs,

as Carl explained in going through his review of what happens when you have a seller and a buyer and how they go through that circumstance.

While we do view the sale as the best evidence, there are going to be other sales on the street of essentially the same commodity. You have to take that into the mix when you're analyzing that information and then coming up with a uniform value, consistently derived, for all of them on the street. That's the exercise.

For most property owners, if we're reasonably close to the sale prices, then they're generally satisfied that our job has been done. If we've come close on their neighbours' properties and what they understand to be the value of their neighbours' properties, then I think they think it's fine.

They recognize that somebody got a better price, somebody got a lesser price, than what they think they should have gotten—and that's going to happen. We can't set that as the target; that's the point I'm making.

Mr. Norm Miller: In an area like the one I represent, where it's not so much uniform neighbourhoods, in Parry Sound—Muskoka—the chairman has a place up on Lake Rosseau—every property is pretty much unique, especially if it's waterfront. There are all sorts of factors. I think in that circumstance, that makes the actual sale price carry more weight, because you don't have a uniform neighbourhood to compare it to, apples to apples.

Mr. Dan Mathieson: To help determine the quality of the assessment update, the relationship between the assessed amount and the actual sale value of a property, as sold in a base year, is calculated. We call that the assessment-to-sale ratio. The closer the ratio is to 1.0, the more accurate the assessment is. For residential and farm property, the international standard is to be at 0.9 to 1.1. In 2008, the last year for which we've actually been able to update it, based on the assessment, 0.99 is how accurate we were. The international standard is to have a value that has a coefficient of dispersion of 15% or less, and we're able to hit 7.54%. So by our own standard, using the most reliable data we have from our last assessment update, we're bang on at 0.99, and we're actually half what the international standard is for dispersion of assessment.

Mr. Norm Miller: The auditor noted that MPAC was unable to provide accurate information about the number of property inspections actually completed. Can you tell me why that is the case and what's being done to resolve that issue?

Mr. Larry Hummel: One of the areas, and the auditor correctly pointed out, was that we've been—there are a number of triggers or work objects that result in going out to a property, and it can happen several times in the course of a year: A property owner can challenge their assessment, so there's a request for reconsideration, and the property is visited. They may subsequently take out a permit, so the property inspector goes out and visits that property, maybe once, twice, in order to pick up that information; and there was duplication in that count. So what we've done is gone back and looked at how we

were recording this information, and we've made certain that we're going to only count unique visits in our 12-year cycle. But we're also going to better capture this information going forward, using a better set of tools to track the information.

Mr. Norm Miller: Okay. The average number of inspections works out to five per inspector per day. What is MPAC's target for inspections per day?

Mr. Larry Hummel: You can appreciate that Ontario is a pretty diverse area, given northern Ontario with vast distances and then the city of Toronto, where you might have a subdivision where every 15 or 20 feet you have a house. So the level of inspection that we have for inspectors varies, depending on the type of work that is being performed. If it's new construction, infill housing of very large custom homes, we're going to have a target for those types of properties. If it's a subdivision, a very simple subdivision or condominium, there's another target, a number of condominium properties that we're going to process within a period of time. If you're in very rural areas with large distances to travel, we're going to have another target for that. Overall, that was the global metric, five, and we actually weren't hitting five; we were at about 4.1. That was where we were achieving, and the auditor drew our attention to that, but we're using that as a statistic to help us allocate the work across the province and staffing resources.

We know we have to do a better job tracking, and we've got a couple of business initiatives that we've got under way that our president spoke to just earlier. One of them was, we were using tablet and hand-held technology, and of course, then we have a complete record of all of the activity and changes that are ongoing; that's moving into nine offices. As well, we've started a business improvement process where we're requiring every property inspector to have a uniform way in which they're to collect that information so we will have a better understanding of the work that's being completed and we'll be able to better monitor it.

Mr. Norm Miller: So on the actual physical inspections, I think the Auditor General pointed out—first of all, your target is every 12 years to actually have an inspector on the ground and physically inspect a property, but you're more on track to an 18-year cycle. How long have you been aware of this time path that you're on?

Mr. Carl Isenburg: If I can speak to that: probably as long as I've been in assessment. It's been an issue previously with the government of keeping these records up to date. We are finding out that properties are changing. Renovations are taking place—actually, the stock is changing. So this has been a challenge for us for a number of years, to try to move into a more predictive cycle.

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It's not new to us. When the auditor looked at that, when he saw the number you just referred to, the number of properties done per day, and with the staff that we had at the time, he drew the conclusion that that couldn't be done.

So we've reviewed how we're going to do this. We need more staff when we start on that journey to try to improve that and tighten the opportunity to get to the 12-year cycle.

Mr. Dan Mathieson: If I could add as well that one of the things that there is some lag on is: What is the international body looking at as a standard for assessment? Is a 1-in-12 now going to include street imagery and a satellite view as part of an assessment, so that if we use different adaptive technologies, does that actually move us closer to the 1-in-12 or not?

Those are some of the things that we're doing in a business process now, to say that if we bring all this technology to bear, does it get us from 18 down lower, or how does it work?

Mr. Norm Miller: You were also talking about telephone surveys as being a way of—I assume you'd call someone up and ask them a few questions like, "Have you redone your basement?" I'd assume that most people are going to be honest about it. If they said, "I have redone my basement," would that trigger you to go out and inspect it, or would it mean you'd accept their information as being the case?

Mr. Carl Isenburg: The phone survey will help us understand the size of the change that was made to the property. If it's one that talks about adding air conditioning, we don't need to visit the property. If there is one that has significant impact upon the value of the property, it has to be followed up with an inspection. So it's not an automatic—

Mr. Norm Miller: So if he responds, "I built a new garage or a shed" or, I don't know, something—

Mr. Carl Isenburg: That will trigger an on-site inspection.

Mr. Dan Mathieson: And that's where the quality of the building permit information and the completeness will actually help us, because we'll know that the permit was for \$100,000. You'll know that it's complete. You could do the call and you could send somebody out if the information doesn't align with what the municipality knows, and you could start so that the person that's in the field is going to get those, as opposed to going to a house where there have been no physical changes. So it's just trying to play our people in a better way.

Mr. Norm Miller: Okay.

The Acting Chair (Mr. Jerry J. Ouellette): Thank you, Mr. Miller.

At this time, we'll move into a 15-minute rotation. Mr. Tabuns.

Mr. Peter Tabuns: In the summary status table, there's a note of outstanding undertakings, and you are seeking additional information on addresses of fraudulent transactions from mortgage insurers. How big a problem is that?

Mr. Larry Hummel: We don't know until we get the number of addresses. We have what we call an AVM that we sell into the financial services industry, which is our—

Mr. Peter Tabuns: Sorry; what is an AVM?

Mr. Larry Hummel: An AVM is an automated valuation methodology value that actually mortgage insurance underwriters use to evaluate the risk of lending or insuring that particular mortgage.

What we would like to know from them, because they're also our customers, is whether or not any of these transactions are fraudulent or which ones have been identified as fraudulent. That way we would then, obviously, eliminate that from our data set.

We don't know the number, but we would like to know because it's certainly been in the news more frequently as these things are coming to the surface.

Mr. Peter Tabuns: When I talk to real estate lawyers in my riding, this is an ongoing and troubling problem for them. I have no doubt it would skew your results quite sharply.

Mr. Dan Mathieson: If I could, one of the things that our business development department does is, we generate almost \$7 million a year through business development, doing various partnership agreements, and that offsets the municipal levy.

So the AVMs—if we could ever get the mortgage insurers and the financial institutions to line up with us and work on the same basis of value, you would see homes being insured at the proper amount—either helping or stopping insurance fraud; either helping people to be insured for the right amount or stopping fraud if they're overinsured. We could do the same on financial services.

It's one of those models that our business development crew is working at, and using technology has been probably one of the greatest things we've achieved over the last number of years as we sell these AVMs.

Mr. Peter Tabuns: What sort of response do you get from the other side, from CMHC and the company Genworth? Are they very interested in moving forward with you, or are they being slow about it?

Mr. Larry Hummel: They've indicated a willingness to provide us with the information. They have to put it through their privacy screen.

Mr. Peter Tabuns: Right. Okay. That makes sense.

In the report from the auditor, he notes that the number of inspectors employed by MPAC was 320 in 2007, and it dropped to about 230 in April 2010. Given that it's been apparent that it's difficult to keep up with the cycle, why was there such a reduction in the number of inspectors in the system?

Mr. Carl Isenburg: The number of a little over 300 actually included about 50 contractors whom we used that one year, and that was based upon board approval to improve upon our inspections—actually, to target exactly that.

In following years, it went back to the original numbers. It dropped back down to 230, which we're now starting to augment with adding 20 back, so we're starting to move. Overall, we used to have around 270, but that dropped to about 230, 225. We're now adding 20 back in; that gets us to 250.

As I said, it's part of our gap analysis as to "What's the right number for this," because we have to look at other ways. I don't think you can always go to the taxpayer and ask for more money. There must be other ways we have to explore to get at those cycles.

Mr. Peter Tabuns: I agree with you on that comment. I just think that if, in fact, we're not going through and doing the inspections on a timely basis, if it takes 11 months to do an assessment for houses in a new subdivision, there's a lot of forgone revenue.

Was there a management decision to drop down to as low as 230?

Mr. Carl Isenburg: It was a decision around not putting the funds back into the contractors. So yes, that did—

Mr. Peter Tabuns: Well, that was 50 of them from 320. That takes us down to 270. You're at, what, 220, 230? That's a very big drop below 270.

Mr. Carl Isenburg: The difference in there was that at the time that the audit was conducted, there were positions that were there and not filled. In other words, there were vacancies that were assigned to other work to supplement, whether it was a request for reconsideration or one of those kinds of activities. The funding is there for that number of people, and it's now a reallocation requirement on our part.

Mr. Dan Mathieson: I would say that the board has to take the ultimate responsibility for that. The fact that, out of 13 members, five of them are municipal individuals—I think the board needs to revisit our staffing level. We ultimately have to make that decision, and with the Auditor General's findings, we've looked at the number of employees that we have in the field, and it's something that's ongoing.

At the end of the day, the staff only recommend operating within the envelope we provide, and we need to take responsibility for that.

Mr. Peter Tabuns: Can I take from what you've said that, at the time, you felt you could reduce your costs, and there was a consequence to reducing those costs?

Mr. Dan Mathieson: Not being on the board, I can't speak for them. But I can say, with the clear light of day—because I don't have hindsight—to me, it looks like where we cut, maybe we need to put people back.

Mr. Peter Tabuns: Fair enough. That's useful for me to know.

The property inspection cycle: The Auditor General talked about the way that properties were counted, inspections were counted. If you went to a property for which there were multiple building permits for one building, you would count each permit as an inspection rather than as one large inspection, and one would think that would inflate the numbers. Was there a policy reason behind that? Is that still the way that things are addressed?

Mr. Carl Isenburg: There's no policy reason behind it. It was the assessor recording his activities. Then, of course, when we added up, we did not distinguish, so we had a multiple hit, and this probably represents 15% or so of our total inspections. We have targeted on how to

avoid that. That is really, by some discipline, about electronic tracking.

We want to have a one-property view so that we know exactly that we have one unique count, no matter how many times we go to that property or what we do for it—because you may go to a property for adding a new addition; you may go there for a request for reconsideration; you may be there for an appeal all in one year. I believe the count should accurately reflect one property, not three visits.

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Mr. Peter Tabuns: That makes sense. In the briefing we've had, we understand that your central office assessment of activity was pretty up to date and pretty sharp, and you had more trouble in your regional offices. Things seemed to be looser. Can you tell me if you agree with that assessment, if in fact that was the case and are you correcting it now?

Mr. Carl Isenburg: I believe the reference was to quality function. We do have a very good quality function at head office. That's where it's housed. We do have distributed staff; we have 33 offices. As was pointed out, yes, we have to introduce better process controls, better quality measurements, do more audits and make sure that there's a follow-up on where we have deficient work. We have to do a better job in the field. I appreciate that we've got the house in order at head office, but it's really a reflection overall if we don't have the field in hand as well.

Mr. Peter Tabuns: I don't have further questions, Mr. Chair.

The Acting Chair (Mr. Jerry J. Ouellette): Thank you, Mr. Tabuns. We'll now move to the government members. Mr. Lalonde.

Mr. Jean-Marc Lalonde: Some of my questions are similar to the ones that Mr. Tabuns asked you, but my first one would be: At what point of the construction are you people advised to visit the construction site?

Mr. Larry Hummel: When the permit is issued, the municipalities will forward to us the permit application information. So we know before the spade goes in the ground that there's a building that's going to occur there. We hope that we then get updates, and that's really where the key part of it is, because we really don't have to be there until the building is nearing completion or complete.

We do need to know that there's this permit out there, because that helps us with forecasting workload, but in terms of targeting the work we really need to have the status of the building when it's completed, at that point with the last check by the building inspector. That's the ideal status update. We're not getting that, but we're working on trying to get that from all our municipalities.

Mr. Jean-Marc Lalonde: So you're not getting everything from the municipality's building inspector on time.

I know what it is for a residential area; you need an occupancy permit before you move in, but in the rural areas there's barns, garages, anything that could be built, and all of a sudden people are getting their tax bills and

they see that they've really gone up. Then I call your office and then I call the municipality. I found out that it is retroactive for a period of time. How far back can they go to come up with the right assessment?

Mr. Carl Isenburg: We are permitted to look at the current year and the previous two years.

Mr. Jean-Marc Lalonde: Two years. Okay. That's quite a few, then.

I'm not too sure, but I think you referred to the fact that as of today you've only received 24 assessments from municipalities. Is that what I heard during your presentation?

Mr. Carl Isenburg: Twenty-four municipalities issued to us a copy of their occupancy permit.

Mr. Dan Mathieson: If I could, there's 444, and 270 of them give us the data electronically on permits.

Mr. Jean-Marc Lalonde: At what time of the year?

Mr. Dan Mathieson: That varies. Larry can maybe—

Mr. Larry Hummel: We're trying to schedule them on a monthly basis, and largely we're getting them on a monthly basis across the 270 that are referenced.

Mr. Dan Mathieson: And then out of those 270, say, less than 30 give us the occupancy electronically as well. So if they inspect today, they would turn around and let us know electronically tomorrow or at the end of the week that they've done it.

If we could get an MOU that said, "Okay, AMO, let's get an agreement amongst all the municipalities that would say, 'You issue a building permit. You all let us know electronically when it's done, and the minute you issue an occupancy, you let us know electronically'"—it's done within 14 days, and we could start staffing out and planning much better, but it's convincing all municipalities to go that way.

We still have small pockets, because we're a diverse province, that say, "You know what? Our building inspector is not technologically savvy and he likes to lump them all together. Once every six months or at the end of the year, he likes to shoot them off to MPAC in an envelope, and then we have to have data entry people sit there and go through it and allocate the work."

It's a lot of work on our part, but it really rests with our municipal partners in agreeing to do that and developing a standard with them.

Mr. Jean-Marc Lalonde: I fully agree with what you're telling me, but have you sat down with AMO on that issue?

Mr. Dan Mathieson: Yes. We are presently. We've had discussions with Pat Vanini, the executive director, and her staff. We have a board meeting later this month that we are hoping to table this at, a joint board meeting of both boards to try to work toward some of those.

Mr. Jean-Marc Lalonde: Okay. My last question would be—I'm just working on this issue at the present time. A property owner has applied for a subdivision change from rural farmland to residential. He came to my office and his last year's bill was five-hundred-and-some dollars; this year, it's \$24,000. Immediately, I said, "Well, they must have changed your zoning. But how can

they change your zoning if the official plan has not been amended?" The answer that I got from your office is because probably you people have gone over and they noticed that there was no harvesting done on the property. My research, as late as last week—the harvesting was done on it. So I guess I'll have to get back to your office.

Mr. Carl Isenburg: Thank you.

Mr. Jean-Marc Lalonde: At what point do they assess to become—even though the zoning, the amendment to the official plan has not gone through yet, they are fully assessed as a subdivision.

Mr. Carl Isenburg: There's actually probation, when somebody farms a property under OMAFRA, to file a business registration for farm purposes. Then, it applies 25% of the residential tax rate for the property. If somebody severs a piece of the property off that and it no longer remains in that farm classification, then we would probably reflect the new value at whatever is appropriate. If it's residential, if somebody is building a house on a lot or an acre now, two things would happen: We would value it as a residential lot, not farmland value, and it would move up four times in taxes in essence, because it would go from farm rate, which is a quarter of the residential, to a full residential rate.

I'm prepared, if you contact our office—you can contact me directly; I'll follow up for you on exactly what transpired at that property.

Mr. Jean-Marc Lalonde: Thank you.

The Acting Chair (Mr. Jerry J. Ouellette): Ms. Sandals?

Mrs. Liz Sandals: Two questions: One is actually a follow-up and just a clarification because I thought I heard you talking about sort of final ticks on building inspections. Then I heard you talking about occupancy permits. So it's the occupancy permit you're going for?

Mr. Carl Isenburg: We'd like to go for both—a more complete building permit. Because if you don't declare, for example, having the right value of renovation or the cost of construction, it may lead us to prioritize that differently. If somebody is actually building a garage but says it's \$10,000, or \$5,000, we'd like to have up-to-date information: What's the structure? What does it cost to build? And anything else that would help us narrow our work down. So, that front, yes—

Mrs. Liz Sandals: But if you've got a half-a-million-dollar house built, and there's an occupancy permit, and there's one or two little things that haven't been ticked off on the building inspection, you don't wait for them, do you?

Mr. Carl Isenburg: No—

Mrs. Liz Sandals: Okay. I am very much relieved.

Mr. Dan Mathieson: There are two different things, though. Occupancy would apply to new home construction; building permit would catch the renovation piece.

Mrs. Liz Sandals: Okay. My other question actually comes from a conversation we were having with the auditor this morning, with my colleague Mike Brown, who represents Algoma, a large swath of northern On-

tario overall and a few small towns. He raised the issue of what happens when you've got a mill town and the mill leaves and all the houses become unsaleable. How do you treat the situation where you literally don't have any recent sales data because, literally, nobody can sell; there just is no market?

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Mr. Larry Hummel: Nonetheless, we have to estimate the value and take that into consideration. Indeed, we did see in some instances, where the mill shut down, values which were already low, \$60,000 or \$70,000 for a home, dropping to \$30,000 and \$40,000, and people calling in where they're trying to refinance and would like to see our values higher. But we have to predict what the correct value is in the circumstance and take in even circumstances where there is a limited market, and try to best predict where that value is.

Mrs. Liz Sandals: So you're not just freezing on where it was then; you're actually trying to predict what it would be if there were actually a sale?

Mr. Larry Hummel: Yes. Generally, it doesn't happen that we don't have any sales on residential properties; there will always be sales, even in the smaller communities. We do see that in a lot of commercial investment properties when all of a sudden the market dries up, but you can look at other information to help you assign a correct value for the property. So we just don't look at the last sale and say, "That's it; our job is done"; we have to look at what the value should be on that valuation date, and take everything into consideration when we make that value. That's what our role is.

Mrs. Liz Sandals: But where you've got a small settlement, then you could literally see the whole settlement drop across the board?

Mr. Larry Hummel: That would be my expectation—that if a mill shuts down and it's a single-industry town, we have to look very closely at it and make sure that we're using the latest sale information that reflects that economic event.

Mrs. Liz Sandals: Yes, it's obviously a very difficult circumstance for the people in the town, but also for you, because it doesn't fit any of the presumptions. But anyway, that's helpful.

Mr. Carl Isenburg: If I may, it's also an issue of how we have experience from other municipalities through different years for different reasons. So if there is a mine or there's a forestry industry, we can actually look to what happened there and what were the indications.

The other opportunity we have is to then expand the number of years that we're looking at sales. This is what we usually have to do, for example, in Muskoka areas or where you have fewer sales—they're very heterogeneous neighbourhoods, in other words, very unique—or you have a situation, as you're describing, where you've had a downturn in the economy that then says, "Well, let's look at a number of years, not just the current year," on either side of it. We do have the opportunity to look at data, and the trick is to analyze it properly.

Mrs. Liz Sandals: Thank you.

The Acting Chair (Mr. Jerry J. Ouellette): Mr. Miller.

Mr. Norm Miller: I want to start with the request for reconsideration. I often hear from people who go through the process of having a request for reconsideration done that they're successful in lowering the assessed value of their property or their home, only to find out that the next year, it has gone back up to the price it was previously, and they have to go through the process all over again. Is that because of technology, or is it because you're using, in some cases, older spreadsheets versus electronic records? What is the explanation for why this happens?

Mr. Carl Isenburg: We've actually moved through a number of phases on that front. You're quite correct: Prior to the last assessment update, we struggled with the technology and having the right infrastructure to make sure that that got carried from one assessment to the next. With this update in 2008, along with our commitment to providing information to property owners, what we do now is, where there has been an adjustment made for an RfR on appeal, actually, as we provide the assessment notice and update, there will be an attachment to that indicating what was the year of the RfR, was it carried forward and, if it wasn't carried forward, why was it not carried forward? Now, everyone is going to have—and I think we have some 100,000 or so documentations around what was carried forward. I believe if you look at the auditor's comment around RfRs, there has been proper documentation now, and it's been much improved.

Mr. Norm Miller: The Auditor General, also on that topic, suggested that on requests for reconsideration, there was little or no documentation in many cases, or managerial reviews were not completed as required. Why is that?

Mr. Carl Isenburg: There are occasions when the documentation isn't there, but that's an experience we are actually trying to avoid now, post-2009—

Mr. Norm Miller: Have you put policies in—

Mr. Carl Isenburg: Yes, we have policies. We've also ensured that managers now provide some oversight on not just the ones that have an adjustment to them, but those that have no adjustment to them, because they're just as important to look at as well.

So we've put new procedures in place, new controls in place. If the variances are beyond a certain point, we then ensure that there's somebody to provide some oversight.

Mr. Norm Miller: Switching to procurement: Exactly what steps have been taken to correct the poor business practices in procurement of goods and services that were identified by the Auditor General?

Mr. Carl Isenburg: If I could ask Gerry Stuart to help us with that response.

Mr. Gerry Stuart: We actually began tightening our procurement practices in the organization going back to 2008. We first began by hiring a procurement manager who has the appropriate educational credentials to deal with our procurements in the organization.

We then began building a new policy framework in the organization, which saw us rebuild 23 to 24 new corporate policies, as well as procurement.

Following that, we created a new accountability framework, a new delegation of authority, and in January 2010 we introduced a new enterprise resource planning system—SAP is the software—which automated a number of our business practices and processes in the organization.

Obviously, with the requirements from the province, we introduced the new procurement policy, which aligns with the province, and we continue to adhere to that.

Not only have we introduced the policy and posted it on our website for all of our managers and staff to refer to; we have trained all our managers in the organization on this policy. In fact, our procurement manager, as part of his KPIs, key performance indicators, has a 100% compliance rate identified.

We believe, through these measures, that we have tightened our processes significantly, in hopes that these kinds of activities will not reoccur.

Mr. Dan Mathieson: An example would be the vendor of record for printing services, through the OPS. We are looking at adopting and moving into that, not only achieving savings, but then also falling completely in line with the OPS purchasing guidelines.

Mr. Norm Miller: What kind of service contracts was the Auditor General referring to when he noted that a multi-year contract with a potential value of over \$450,000 was awarded to a vendor who scored zero in all selection criteria and was the lowest-rated bidder? Who was awarded this contract?

Mr. Gerry Stuart: This particular contract goes back to June 2004, and it relates specifically to a contract with a payroll services provider. The name of the provider was Meta Solutions. We actually did go through a competitive process. There was an RFP released for that, earlier that year. Three vendors were identified. We then went through a selection process. Unfortunately, our documentation was not up to speed. The auditor did find a document rating their score as zero. However, as I say, we have tightened up our documentation process significantly, in anticipation that that won't happen again.

I would also add that in that particular case, subsequent to the RFP process, we took that procurement to the board of directors, and the board of directors subsequently approved that vendor as being the lowest-cost one.

To your point: We've certainly endeavoured to improve our documentation process and make it as transparent as we can, in line with the Ontario government's procurement policy.

Mr. Norm Miller: I note that the IT development costs have come in at three times the estimated costs. It was estimated at \$11.3 million; the actual was \$33.7 million. Can you provide an explanation for that, please?

Mr. Gerry Stuart: I'll defer to our VP of IT.

Mr. Antoni Wisniowski: Specifically, the project was initially scoped in 2001, and at that time, both the time

estimate as well as the associated budget were incorrectly estimated. So in 2004, as the president mentioned, after he and I joined the corporation, we actually went for a reset exercise on the project.

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In December of that year, we had a look at what the requirements were, and therefore we moved forward with a revised plan for implementation, carrying us between 2004 and 2006.

Our estimate at that time was that we would proceed with a new project with a February 2006 deadline, and we went to our board for approval of both that plan and the associated budget. In February 2006, we were actually prepared and commenced our initial launch in inquiry mode of this new system, and then in that year following the Ombudsman's report, the government cancelled the 2006 and 2007 assessment updates, at which point we had to make one more deferral on release of that system until the beginning of 2007.

So from 2004 through to release in 2007, all of the expenditures had been reset under a new business plan that was approved by our board, and every subsequent change to that business plan had been approved.

Prior to 2004, I think the estimate initially was incorrect and there were also some insufficient project controls in place to ensure that we were monitoring and effectively exercising the controls over that project up to that point.

Mr. Norm Miller: The Auditor General notes that outside consultants and staff were used almost exclusively to manage and staff the IT projects. Can you explain why that is the case and what were the 122 paid IT staff doing if you were bringing in these consultants to manage these projects?

Mr. Antoni Wisniowski: I can comment on that on two fronts. The first is, we moved forward with building this new system. It's a very large-scale legacy migration from a mainframe system into current technologies. The staff we had on board at that time were insufficiently skilled in the specific areas that we required around migration to these new technologies. So our intention was to utilize a team of external contractors in order to move us through the implementation.

In 2004, when I joined, we actually moved the management of that project directly under my purview, so I was acting as the project director for the project itself, and then we started to split out and migrate away from contractor-oriented teams. So our infrastructure project, as an example, which is the setting up of all the servers and all the equipment, moved to an internal team. We started moving our business systems analysts into a paired grouping of resources, both contract and staff, and we started to utilize more staff on the quality assurance capacity.

Since the rollout in 2007, we've continued that, and in most recent years we have now moved where all of the business systems analysts are staff. Over 50% of all the resources associated with this project are now also staff resources, and we utilize contractors only in very

specialized needs, or people who have a very specific understanding of specific components of the system, which they have a unique, vested knowledge of.

Mr. Norm Miller: Those contractors that you're using: Are they being sole-sourced? Are they going through an RFP process—

Mr. Antoni Wisniowski: We have always used a process of seeking contractors through multiple agencies. We really use staff augmentation firms. We don't use large production consulting houses. Therefore, we are really generally securing individual contractors who come to us through agencies.

Our process for any time we hire a contractor is that we always go to at least three agencies and seek presentation of multiple candidates from those agencies. We select based on that grouping and then we pick the preferred candidate both in terms of skill and also price point.

In 2010, we actually retendered every single contract and we established the new preferred supplier list for all of our contract services for staff augmentation, which was presented to the board, and we now proceed on that vendor-of-record list. We'll have that for three years, and then we will revamp that process again through a vendor-of-record RFP.

Mr. Norm Miller: Thank you.

The Auditor General noted that staff were reimbursed on numerous occasions for hotel accommodations within close proximity to their normal place of work. Is this a common practice, and is it the assessors or is it administration staff? What was the total of the inappropriate accommodation costs?

Mr. Gerry Stuart: Thank you for the question. Again, this is something that the auditor identified and we have attempted to deal with on a go-forward basis. We have actually strengthened our travel meals and hospitality policy even further than what the government requires, in the sense that we've tried to establish very specific direction guidelines for our managers in terms of on-site business meetings and off-site business meetings. We recognize that, clearly, there are occasions when we need our managers, for example, available to us for off-site meetings that may require them to stay overnight, but we certainly exercise judgment in terms of determining when that's appropriate and when it's not. Certainly, as it currently stands, with the additional rigour that's applied to the policies at hand, we are not encouraging that on a widespread basis.

Mr. Dan Mathieson: If I could add, Mr. Miller, to give you a sense of how far we've gone, last evening, for me to be in town today, I wanted to come in. Of course, there are miners and prospectors in town, and you couldn't find a hotel room anywhere. I was able to get one at the Delta for \$269 a night. That is about \$70 over our policy limit, and I have written a personal cheque to reimburse this because we don't allow people to go over that. I want to assure you that we, from the top right down through, take the purchasing policy very seriously.

Mr. Norm Miller: What was the value of the one-quarter claims for use of personal vehicles "which could not be substantiated because neither the purpose nor the start- and end-points of the trip were provided"?

Mr. Gerry Stuart: If I may just give some context to your question, our motor vehicle policy is one that encourages all staff to use a fleet vehicle, of which we have 218 in our fleet. Following that, if there is not a fleet vehicle available, we encourage, obviously, to rent. Following that, similar to the province, there is the option to use your personal vehicle.

With respect to the amount that that's being used, certainly the numbers have dropped significantly. For example, in 2010 our numbers were at \$87,000 in terms of reimbursable claims. They were previously up as high as \$174,000. The reason why they've dropped is because of the changes to the insurance legislation which happened in the province over the last couple of years. And so, what we're seeing is a steady decline in the number of personal claims.

The other side of that is, obviously, being able to determine where folks are taking their vehicles. Again, as part of our enhancements to our travel, meal and hospitality policy, there is an emphasis on maintaining accuracy in terms of our motor vehicle logbooks, and we are also looking at ways and means of automating those processes to make it more accurate and more reliable as we move forward, because as it currently stands, it's up to the employee to record those mileages and where they've been, and then report them into head office. So we are taking steps to tighten that process and improve our documentation.

Mr. Norm Miller: In 2009 you purchased a new boat. Was this done through a competitive process?

Mr. Gerry Stuart: The process that followed—again, with respect to the boats, we have a number of boats in our fleet. That was the first purchase that we had made in a number of years. Some of these boats are anywhere from 10 to 20 years of age. The boats are normally your typical 14-foot or 16-foot boats, as we have over 40,000 properties across the province that are on waterfront.

We have looked at renting boats. We have looked at other ways and means of accessing those properties, but relocating the boats as we need them does not make good fiscal sense, as the boats need to be available to us.

What we are doing on that front: Again, pursuant to the findings of the Provincial Auditor, we have installed new GPS tracking devices on every boat—we're in the process of doing that. This will allow us to determine usage. If, as is the case with our vehicles, we find that there is underusage, we'll redeploy those boats accordingly. But, then again, these are low-cost maintenance types of vehicles, anywhere from 14 to 16 feet; your typical 20-horsepower motor on the back. Again, they make up a very small operational component of our organization.

Mr. Norm Miller: I think the Chair has indicated that my time is up.

The Acting Chair (Mr. Jerry J. Ouellette): At this time, we thank you very much for your presentation. We appreciate you coming forward.

Interjection.

The Acting Chair (Mr. Jerry J. Ouellette): No, at this time we are going to close the room and go into a

closed session where we will discuss the actions that will take place as a result of today's hearings.

Once again, gentlemen, thank you for coming forward and presenting.

The committee continued in closed session at 1432.

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