

Assessment Review

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1 Introduction

As of the 1999 taxation year, municipalities in Alberta were required to base their taxation on market value assessment (MVA). One of the requirements of MVA is an annual property assessment update for every property. The process relies heavily on statistical analysis to value each property. The goal of the process is to provide a consistent and accurate MVA thereby minimizing assessment appeals and related administrative costs. During the past two years, the Assessment & Taxation Branch has been successful in achieving a substantial reduction in the number and potential value of assessment appeals. This project reviewed the processes and methodologies used by the Assessment & Taxation Branch with the goal of identifying means of further reducing the number of appeals. The anticipated outcome is a further reduction in the cost of processing appeals and in loss of revenue resulting from successful appeals.

2 Scope and Methodology

The scope of this audit focused primarily on the core processes that were designed during the re-engineering of the Assessment Operations section of the Assessment and Taxation Branch. The secondary focus of the audit was on the appeals process in the Assessment Operations section and the audit regulatory processes in the Audit, Regulatory and Standards section. In reviewing the appeals process, particular attention was paid to the number of appeals by property type that were either confirmed, dismissed, revised, withdrawn with correction, and withdrawn with no correction.

The objective of the audit was to ascertain if the new organizational design and re-engineered work processes were capable of producing market-value assessments in an efficient and effective manner, with adequate quality control to assure the accuracy of property assessments. The audit also sought to determine if the new appeals process provides adequate support and defence of property assessments before the Assessment Review Board (ARB) and the Municipal Government Board (MGB).

The methodologies used in the audit were a general review of preliminary organizational design work done by the branch with the help of outside consultants,¹ communications survey, detailed job analysis, variance analysis, analysis of assessment change controls, and review of appeals by property type were used to evaluate the new organizational design and identify additional opportunities for enhancement.

¹ Business Process Review for the Assessment and Taxation Branch of the City of Edmonton, May 1999, Barents Group LLC;
Corporate Services Department, Assessment & Taxation Branch, Structural Design Review, December, 1999, Turnkey Management Consulting;
Review of Report on Suggested Restructuring of the City of Edmonton Assessors Office, December 1999, Almy, Gloudemans, Jacobs & Denne;
Advisor 2001 Project Team Final Report Implementation Strategies & Work Plans, January 2002, Turnkey Management Consulting.

3 Observations and Conclusions

3.1 Organizational Design

Strengths

Overall, the organizational design is consistent with best practices. Operating units within the Assessment Operations section are organized around core processes, thus providing for system integrity. The organizational structure suits the specific requirements of the section with work units and internal processes aligned to particular property types. The units utilize teams of two to six individuals to perform data collection, verification, maintenance, sales inspection and validation, and valuation. This team structure is expected to foster close working relationships among personnel performing assigned activities.

Each unit and its teams form a mini-business with clearly identifiable output and outcome boundaries that avoid fragmentation of work and ensure that core processes remain intact. This allows teams to identify with their process and to develop autonomous control over it. The clustering of activities and tasks within each unit and team is based on mutual cause-effect relationships and on common skills, knowledge, and databases. Process owners are clearly established in the future organizational structure and have full responsibility for the core processes. Teams, supervised by senior assessors, control the processes and activities within each unit and are responsible for execution of designated work.

Opportunities

The Advisor 2001 report recommended that information management and customer services be consolidated into a new unit known as the Information Management Centre (IMC) that is part of the Audit/Regulatory section. The Branch's decision to place the information management function within the Operations Administration and Research unit of the Assessment Operations section may meet the Branch's immediate transitional needs but could limit the development of an optimal quality management system in the long term.

The Audit/Regulatory section is responsible for quality assurance for the branch, and having the IMC as part of this section would allow it to have direct control over the quality of all inputs including recording of customer enquires. The development of direct quality control and assurance on inputs would limit a major source of errors and variances in the assessment process. The Audit/Regulatory section could then focus on improving in-process quality control and assurance in collaboration with the Assessment Operations section to develop an effective quality management system for the branch (*Recommendation 1*).

Staffing of the new organizational structure is based on estimates of required manpower. There are few time or productivity standards that could be used to determine manpower requirements from forecasted workloads. Those time and productivity standards that do exist are themselves estimates of what individuals can accomplish. Also, the new organizational structure and core processes do not have an

explicit systems-management philosophy by which the co-ordination and scheduling of activities can be most effectively managed and controlled (*Recommendation 2*).

The organizational structure redesign intends to make use of teamwork in performing work activities. However, the design process focused primarily on the technical aspects of performing work, with limited attention to social systems that affect human behaviour. Consequently, teamwork is only partially addressed in the proposed organizational design. The development of team skills, task skills and problem solving skills can be addressed by cross training and team co-ordination training (addressing how team members' specific duties are to be performed together to achieve a co-ordinated output). Design of these training opportunities need to arise from and support the systems-management philosophy that the organization uses as a whole (*Recommendation 3*).

Creating opportunities for skill development and usage is addressed through the development of succession planning methodologies. Succession planning has been identified as an organizational need at the corporate, department, and branch level. As part of the corporate effort to develop succession plans, the Assessment and Taxation branch has identified the need to develop accredited assessors to fill senior assessor positions over the next few years. Training programs have been identified for people in Assessor positions. The development of detailed succession plans will be done as part of branch's work force planning in conjunction with the corporate initiative.

The authority of team members to make decisions directly related to process variances is partially established. Assessors, assessor assistants, and data collectors have direct authority to correct variances related to their work. They have moderate discretion in the application of work procedures with limited latitude allowed for their decisions. However, limits on assessors' autonomy and the development of adequate controls to assure accountability for decisions needs to be clarified further. Degrees of autonomy must be established for the teams in the areas of budgeting, workflow management, quality of inputs and outputs, job content, training, capital expenditure, customer interface, maintenance interface, and staffing decisions (*Recommendation 4*).

3.2 Controls over Changes in Assessments

As autonomy is increased for work teams, corresponding controls will have to be enhanced, particularly for changes made to the valuation of properties. The OCA's analysis indicated that the controls over changes to property assessment values are not as effective as they should be. Although some duties are segregated, the same assessor that originated the change approves the final adjustment. Clear limits to changes made to property valuations also need to be implemented. In addition, reports of total adjustments by taxpayer or related taxpayers, workload by assessor, and listings/summaries of properties with net reductions in annual taxes made by assessors (not ARB, for example) need to be reviewed by supervisors and/or managers. There need to be additional controls implemented to prevent unapproved adjustments being made to property assessments (*Recommendation 5*).

3.3 Quality Control and Assurance

Standards

Output and outcome-related quality standards exist and are prescribed by the Municipal Government Act Provincial Assessment Quality Standards and are expressed in terms of median assessment ratios and coefficients of dispersion (COD).²

Audit Regulatory and Standards use these output quality measures in reporting to Provincial authorities. These measures are also used by assessor/modellers along with statistical tests to monitor data quality while developing or calibrating valuation models. No other process-related quality measures exist for either inputs or assessment processes and activities.

Analysis of the key variances within activities performed by Assessment Operations indicates that the lead-time from detecting the variance to correcting it varies from almost immediate (57% resolved in less than one week) to months (43% require more than a week). The variance in time for resolution is at least partially the result of a lack of clearly defined process measures and resolution methodologies (*Recommendation 6*).

Integration of Quality Assurance

Partial integration exists between quality assurance activities within the core processes and the quality assurance function provided by the Audit, Regulatory and Standards section. The Audit/Q.A. unit's primary quality assurance function is to review final assessment output for compliance with Provincial standards. Some quality assurance activities are also to be conducted by the Audit/Q.A. unit for the purpose of identifying areas where Assessment Operations can make improvements in the accuracy and usage of data in the valuation process. The integration of quality assurance between the Assessment Operations section and the Audit, Regulatory, and Standards section can be improved by working together to develop in-process quality measures for the activities performed in Assessment Operations (*Recommendation 6*).

Meeting Provincial Standards and Guidelines

The fundamental purpose of the restructuring and re-engineering effort undertaken by the Assessment and Taxation Branch is to be able to provide market value assessments on an annual basis in compliance with Provincial legislation. The re-engineering effort currently being undertaken will, in the long term, allow the assessment process to more consistently meet all Provincial standards and guidelines.

The switch to market value assessments produced an initial spike in the number of appeals, which has declined each year since the changeover, but remains a significant challenge. The appeals process ties up resources that are also required for performing assessment activities, impacting the consistency of compliance with reporting timelines.

² An assessment ratio is the ratio of a property's assessment to an indicator of its market value. The median assessment ratio is the middle value of a range of assessment ratios for a group of properties and the coefficient of dispersion (COD) is the average percentage deviation of the assessment ratios from the median assessment ratio.

Improved accuracy in assessments would, in turn, help reduce the number of appeals. To reduce the number of appeals and stabilise the assessment process in the long-term requires improved manpower scheduling and co-ordination. Additional measures to stabilise the process would require either that resources be diverted from other areas, activities dropped, reporting timelines relaxed, or the assessment cycle extended.

The extension of the assessment cycle is not possible given the Province's commitment to annual equalized municipal assessments. Relaxation of reporting timelines, however, has already occurred. The requirement for municipalities to move from indirect equalization to direct equalization³ has been extended from 2004 to 2007. However, the Province has required the Administration to tighten timelines for the completion of assessment roles in 2003.

Given these constraints, the remaining options must be given priority. At present, it is the Branch's policy to have only accredited assessors make presentations before the Assessment Review Board (ARB) and Municipal Government Board (MGB). There are twelve unaccredited assessors, the majority of whom are candidate members of the Alberta Assessors Association who could be trained for low-end appeals using a mentoring and training program. Unaccredited assessors and assessor assistants could prepare and present low-value assessment appeals before the ARB under the guidance and tutelage of accredited assessors and approved by a senior assessor. This would require adjustments to the Branch staffing plan and position descriptions (*Recommendation 7*).

3.4 Appeals Process

Defence of Property Assessments

The Valuation and Appeals unit presently gathers evidence for the defence of property assessments before the ARB, MGB, and Court of Queen's Bench. Problems occurring in the present structure include inefficient utilization of technology and human resources. Existing procedures make it difficult for complainants to withdraw their appeals; inexperienced assessors are handling the appeals, and are overwhelmed by the combination of their assessment workloads and administrative duties. The number of appeals in 1999, 2000, and 2001 were 16,851, 7540, and 7812 respectively. The percentage of appeals that were revised or withdrawn with correction was 67% in 1999, 62% in 2000, and 61% in 2001. Even though the total number of appeals had declined since 1999, the percentage of appeals revised or withdrawn with correction has remained fairly constant, indicating continued problems in the defence of appeals.

Examination of the appeals by property type for the year 2000 indicates that six of the thirteen property types account for 83% of the municipal tax loss due to revisions and withdrawals with corrections. These property types were offices, shopping centres, hotels and motels, single family residential, rental apartments, and commercial land.

³ Indirect equalization is the adjustment of a municipality's assessment summary by its overall assessment level by Provincial authorities. Direct equalization is the adjustment of a municipality's assessment summary by its overall assessment level by the municipality. The equalization calculation is done for the purpose of assessing all municipalities consistently within the Province of Alberta.

Hotel and motel, single family residential and commercial land had proportionally higher assessment losses relative to their original assessment base. These three property types have proportionally more errors in the accuracy of assessments and greater difficulty in defending against appeals. The re-engineering of the appeals process, where the valuation teams for specific property types defend their own assessments and the ARB Liaison performs the administrative duties, is intended to remedy the current problems and improve the effectiveness of the appeals process.

Evidence for the defence of property assessments in the re-engineered assessment process will be systematically gathered, validated, and presented before the ARB, MGB, and Court of Queen's Bench by the assessors who made the assessment. The new appeals process makes use of the same technical resources that are used in the assessment process. The key variances identified during this review for the new appeals process are repeat complaints, multiyear appeals, and scheduling problems associated with ARB hearings. Meeting the ARB hearing dates often involves the redeployment of additional assessors to work on particular appeals (*Recommendation 7*).

Knowledge & Skills of Appeals Team

Members of the validation and appeals team are the same assessors that work in the assessment process. The basic knowledge and skills required for the appeals process are also required in the assessment process. Appeals team members must be able to clearly and concisely write and present briefs and reports before City Council, the ARB, MGB, and courts. Senior assessors are more likely to be relied upon in presenting information before the ARB, MGB, and the courts. As part of cross training, other assessors will need to be mentored by senior assessors to prepare them to present appeals by, for example, using simulations of the ARB, MGB, and court proceedings to train and prepare assessors to present evidence. Implementation of cross training and mentoring could allow unaccredited assessors to make presentations in the appeals process under the supervision of an accredited assessor, increasing the overall effectiveness of the Branch over a relatively short period of time (*Recommendations 3 & 7*).

Recommendations and Action Plans

Opportunity for Improvement	Management Response
Organizational Design	
1. Review the organizational structure and reporting relationships for the Information Management Centre (IMC), after the implementation of the current re-engineering effort.	Accepted Target Date: 2004-07-01 Responsible Party: Director of Audit, Regulatory, and Standards. The detailed implementation plan is currently under development.
2. Improve staffing and scheduling of assessment activities through the development and use of productivity standards and a systems-management philosophy.	Accepted Target Date: 2003-12-31 Responsible Party: Director of Assessment Operations. Currently under development and is subject to any changes that may come from the Province.
3. Enhance teamwork through the clear establishment of interdependent duties, cross training, and co-ordination training.	Accepted Target Date: 2004-12-31 Responsible Party: Branch Manager. Process is being defined and is ongoing.
4. Establish the level of authority and autonomy for teams and assessors along with corresponding controls prescribed by policies, procedures, and reporting mechanisms.	Accepted Target Date: 2004-12-31 Responsible Party: Director of Assessment Operations. Implementation team currently defining team responsibilities and controls.
Controls over Changes in Assessments	
5. Have additional reports automatically generated for management review on all properties that have net reductions in taxes resulting from adjustments, which indicate the level of the adjustment, who made the adjustment, who approved the adjustment, and who is the property owner or tax agent.	Accepted Target Date: 2003-12-31 Responsible Party: Director of Audit, Regulatory, and Standards. Some reports have already been implemented and additional reports are under development.
Quality Control and Assurance	
6. Develop and implement an effective quality management system that focuses first on assessments for hotels and motels, single family residential, and commercial land.	Accepted Target Date: 2004-12-31 Responsible Party: Director of Assessment Operations. Position is established: detailed plans will be developed by early 2003.
Quality Assurance and Appeals Process	
7. Identify unaccredited assessors and assessor assistants who are working towards accreditation in assessment and use these individuals in the appeals process for low-value assessment appeals through an established mentoring and training program.	Accepted Target Date: 2003-07-01 Responsible Party: Branch Manager. Work with union and staff to establish a time frame and duties that are appropriate.