



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Appraisal Services Unit - Opportunities for Improving  
Economy, Efficiency and Effectiveness**

<b>Date:</b>	January 25, 2013
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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The Auditor General's Work Plan included an operational review of Real Estate Services Division, Appraisal Services Unit (Appraisal Services). Appraisal Services provides valuation and consulting services to City Divisions, Agencies and Corporations for a variety of real estate matters. The objective of this review was to assess the extent to which Appraisal Services' operations are efficient, effective and economical, and to identify improvement opportunities.

This report contains eight recommendations along with a management response to each of the recommendations. The implementation of these recommendations have the potential to increase the City's cost recovery for the provision of appraisal services and further improve overall management effectiveness and efficiency of Appraisal Services.

**RECOMMENDATIONS**

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**The Auditor General recommends that:**

1. City Council request the Chief Corporate Officer to review the Parks Levy Appraisal Fee structure to ensure that costs are being reasonably recovered and that fees are revised annually to account for inflationary impacts on costs.
2. City Council request the Chief Corporate Officer, in the review of the appraisal fee structure, to explore opportunities for enhancing recoveries from applicants in instances where external appraisal costs exceed \$6,000.

3. City Council request the Chief Corporate Officer, in the review of the appraisal fee structure, to consider the recovery of additional appraisal fees from applicants when additional costs are incurred as a result of applicant action/inaction.
4. City Council request the Chief Corporate Officer to review the adequacy of the reconciliation and monitoring processes over appraisal fee recoveries to ensure that amounts are accurate and that variances are reasonably explained.
5. City Council request the Deputy City Manager and Chief Financial Officer to ensure that the accounting for the \$0.9 million of parks levy payments originating prior to 2009 be resolved as soon as possible.
6. City Council request the Chief Corporate Officer to document Appraisal Services' operational policies and procedures, and ensure that any policies regarding the usage of external appraisers is aligned with the City's Conflict of Interest Policy.
7. City Council request the Chief Corporate Officer to regularly monitor the targeted completion dates for appraisal requests to ensure that appraisal results are provided in a timely manner consistent with internally established guidelines.
8. City Council request the Chief Corporate Officer to assess the merits and feasibility of implementing system enhancements to improve the functionality in SAP to better serve management's needs.

### **Financial Impact**

The implementation of recommendations in this report will result in increased cost recovery and improved operating effectiveness and efficiencies. The extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

### **ISSUE BACKGROUND**

Real Estate Services Division, Appraisal Services Unit provides valuation and consulting services when requested by City Divisions, Agencies and Corporations for a variety of real estate matters. Staff costs and other direct expenses are incurred for undertaking these services. Some costs are recovered through a standardized appraisal fee structure approved by City Council in July 1998.

### **COMMENTS**

The Auditor General's Audit Work Plan included a review of Appraisal Services Unit. Our audit objective was to assess the extent to which the operations are efficient, effective and economical, and to identify improvement opportunities.

Implementing the recommendations included in the report have the potential to increase the City's cost recovery for the provision of appraisal services and further improve overall management effectiveness and efficiency of Appraisal Services.

The audit report entitled "Appraisal Services Unit – Opportunities for Improving Economy, Efficiency and Effectiveness" is attached as Appendix 1. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

## **CONTACT**

Jerry Shaubel, Director, Auditor General's Office  
Tel: 416-392-8462, Fax: 416-392-3754, E-mail: [jshaubel@toronto.ca](mailto:jshaubel@toronto.ca)

Patricia Lee, Senior Audit Manager, Auditor General's Office  
Tel: 416-392-8570, Fax: 416-392-3754, E-mail: [plee7@toronto.ca](mailto:plee7@toronto.ca)

## **SIGNATURE**

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Jeff Griffiths, Auditor General

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## **ATTACHMENTS**

- Appendix 1: Appraisal Services Unit – Opportunities for Improving Economy, Efficiency and Effectiveness
- Appendix 2: Management's Response to the Auditor General's Review of Appraisal Services Unit – Opportunities for Improving Economy, Efficiency and Effectiveness