Chapter 9

Service New Brunswick Property Assessments

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Why Are We Reporting on Property Assessments?

Property assessments result in approximately over $530 million in revenue and $1 billion of taxes receivable for the Province

9.1   Property assessment values are a critical component in calculating revenue and accounts receivable amounts for the Province. Each year, Service New Brunswick (SNB) is mandated to assess approximately 470,000 properties which generate approximately $69 billion in tax assessment base for the Province and municipalities. This results in approximately over $530 million in revenue, and over $1 billion in property tax receivable for the Province.

Significant issues were identified in 2017

9.2   In November 2017, we issued a special report to the Legislative Assembly describing many weaknesses in property assessment processes. In that report, we made many recommendations on how SNB could improve its property assessment processes.

Not follow up of 2017 special report – findings are from our 2020 financial audit of the Province

9.3   The purpose of this chapter is to inform the Legislative Assembly of the results of our work regarding SNB's property assessment processes which we perform each year as part of the audit of the Province's consolidated financial statements. This chapter does not follow up on our 2017 special report. It deals with the findings from our 2020 financial audit work.

9.4   We made six recommendations in 2020 relating to property assessments. These recommendations show the need for SNB to improve data integrity, identify errors and enhance quality control. Our recommendations are in the areas listed below.

- Three recommendations are new and relate to:
  o   delays in validating assessment data, and
  o   weaknesses in processes for upgrading the system and converting assessment data.
- Two are repeat recommendations and relate to:
  o   weaknesses in quality control processes and
  o   reviewing the work of assessors and assessment staff.

  These recommendations are similar to the ones we made in 2017 but have still yet to be implemented by SNB.

- One recommendation relates to weaknesses in system access controls, some of which we noted in prior years.

Improvements Needed in Quality Control Processes

Weaknesses in quality control processes to verify accuracy in property assessments

9.5 During our audit, we found weaknesses in the quality control (QC) processes SNB uses to verify the accuracy of property assessment values used for billing. These weaknesses all increase the risk of error in these property assessment values. The resulting errors may increase demands on SNB property assessors and increase costs for both SNB and the Province.

Six weaknesses found in our audit if corrected would help improve the accuracy of property assessments

9.6 We found the following six weakness, that if corrected, would help improve the accuracy of property assessments.

- A property is only subject to QC once before billing. If a property value changes after QC, the property will not go through QC again.
- No review or spot check is performed to ensure properties being marked as "Reviewed" have actually been properly reviewed.
- The list of properties excluded from QC (such as flooded properties) is prepared by one individual and is not reviewed for completeness and accuracy by another individual.
- Head Office does not perform QC on property data sketches. (SNB uses property data sketching when using aerial imagery to assess property values.) We were informed this will be included as part of QC work in 2021.
- Regions do not perform QC on property data sketches for all properties. Rather, QC is only performed on a sample basis. As part of the sampling process, regions use thresholds to identify properties which fall outside of acceptable ranges. Only properties exceeding these thresholds are subject to QC. These thresholds may not capture all properties with errors in property assessment values.; and
- QC progress is tracked manually in Excel and relies on complex formulas which are updated regularly. This manual process is prone to error and is not reviewed.

Review is critical as approximately half-a-million properties exist which generate over $1 billion in receivables	**9.7**	Review of property assessment values prior to billing is a critical function as approximately half-a-million properties exist in the Province which generates over $1 billion in property taxes receivable.
New quality assurance unit created which could help address weaknesses	**9.8**	We understand SNB created a Quality Assurance unit during the year. This unit could help SNB management address the weaknesses noted above prior to next year's audit.
Recommendation	**9.9**	**We again recommend SNB improve the quality control processes used to verify the accuracy of property assessment values in advance of next year's billing cycle.**

Delays in Validating 2017 Fast Track Assessment Data

Fast-track properties: 70% of these properties have not been validated	**9.10**	During our audit, we found SNB has not validated approximately 70% or 51,000 properties that were assessed using methodologies from the Fast Track initiative in 2017. While it may not be possible to validate all the "Fast Track" properties in a year, significant delays in in these processes increase the risk of error in property assessment values.
Efforts underway but progress needs to be quicker	**9.11**	We were informed efforts are underway to validate "Fast Track" properties as part of the assessors' annual work plan. In our view, these properties should be validated as quickly as possible to reduce the risk of error in property assessment values.
Recommendation	**9.12**	**We recommend SNB proceed as quickly as possible to validate the assessment data of properties assessed using methodologies from the 2017 Fast Track initiative.**

Process Needed to Monitor/Track When Properties Are Visually Re-Inspected

Re-Inspecting Properties: 32% of residential properties have not been re-	**9.13**	We found SNB records electronically when properties have last been visually re-inspected. SNB does not, however, produce reports to track/monitor when properties have last been re-inspected. We were informed SNB has not visually re-inspected

inspected in the last 10 years		approximately 32% or 118,600 residential properties in more than ten years.
SNB did not have information readily available for when 64% of non-residential properties were last re-inspected	**9.14**	For non-residential properties, SNB needed time to prepare information regarding when 64% or 21,000 non-residential properties had last been visually re-inspected. In our view, SNB should have this information readily available and be using it to monitor when properties have last been visually re-inspected.
Delays in re-inspecting increase the risk of error in property assessment values	**9.15**	While it may not be possible to visually re-inspect all properties every year, significant delays in these processes increase the risk of error in property assessment values. We were informed efforts are underway to develop and implement a formal process to monitor when properties are visually re-inspected.
Recommendation	**9.16**	**We recommend SNB develop and implement a process to track when properties are visually re-inspected. We recommend this information be used when creating annual assessor work plans.**

Improvements Needed in Review of Assessor and Assessment Staff Work

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Much work of property assessment assessors and staff is not reviewed	**9.17**	Assessing property values is a complex process which requires specialized training, complex calculations and significant use of judgment. During our audit, we found much of the work property assessors and property assessment staff perform is not reviewed. This is a significant weakness given SNB is responsible for determining assessment values for approximately half-a-million properties each year.
We found areas where work was not reviewed which could lead to undetected errors in assessment values	**9.18**	Given assessors and assessment staff work mostly independently, the risk of undetected errors in property assessment values is high if the work is not reviewed. For example, during our work we found the following areas where review was not performed:

- review is often not performed on data input into the property assessment system (EvAN) by assessors to calculate assessment values; and
- no review is performed on adjustments to apply the Residential Property Tax credit

Review is performed in some cases but not documented	**9.19** We also found areas where review was performed, but not documented. Properly documenting review processes provides evidence the review was actually completed.
Two areas where review was not documented: *Review of million-dollar report* *Review of changes to market adjustment factors*	**9.20** We were informed the following significant processes were reviewed, however, since the review was not documented, we were unable to determine if a review had been performed: • review of the 'million-dollar report' was not documented. This is a report that lists properties with assessments greater than $1 million; and • review to changes to market adjustment factors was not always documented.
Increased review is needed	**9.21** While, in our view, it may not be practical for SNB to review all the work performed by assessors and assessment staff, the items listed above demonstrate the need for increased review of assessor work.
Quality assurance unit created to help with the review process	**9.22** SNB created a quality assurance unit during the year which will be responsible to review assessor and assessment staff work using a risk-based approach. The risk-based approach this new unit takes should include items such as high-value properties, work performed by less experienced staff and/or other items SNB deems significant.
Recommendation	**9.23 We recommend Service New Brunswick strengthen its processes to verify property tax assessment values by using a risk-based approach to review the work of assessors and assessment staff.**

Improvements Needed in System Upgrades and Data Conversion

SNB did not formally document the data conversion of 273,000 properties	**9.24** During our audit, we noted SNB did not formally document and approve the accuracy of approximately 273,000 property assessment values when the property assessment system and data were upgraded.
Comparing and approving data is critical for data conversions	**9.25** Comparing and approving property assessment values to the original values is a critical process when performing system upgrades to determine if data is converted properly. By not properly documenting this

process the risk of error in property assessment values increases.

We found no errors in our procedures to verify accuracy of data conversion

9.26 We performed procedures to verify the accuracy of the converted data and found no errors in the items we tested. This work, however, resulted in significant time for both SNB staff and our Office.

SNB should properly document future data conversions

9.27 System updates and data conversion processes will continue as SNB modernizes its property assessment systems and data. SNB should review these processes to ensure appropriate documentation and approvals exist to provide evidence the updates and data conversions were successful.

Recommendation

9.28 **We recommend Service New Brunswick document its work to compare, review and approve property assessment values after systems are upgraded, or property assessment data is converted. We recommend evidence of this work be retained for audit purposes.**

Improvements Needed in System Access Controls

Weaknesses in system access controls in the areas of reviewing and managing user access

9.29 We found weaknesses in system access processes and controls for the property assessment system (EvAN) and the associated the database and operating system. We found weaknesses relating to:

- reviewing user access in the application, database and operating system; and
- managing user access in the application.

9.30 Inappropriate system access can affect the confidentiality, integrity and availability of system data as it increases the risk of error or unauthorized changes. This risk is reduced if user access is limited to only those roles required to fulfill their job responsibilities.

Recommendation

9.31 **We recommend SNB review and resolve system access control weaknesses for the property assessment system (EvAN) as soon as possible. These weaknesses relate to user access reviews and managing user access for the EvAN application, database and operating system.**