



Report on the CMRAO's Inspections Pilot Program

CMRAO

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Regulatory Authority of Ontario

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Background

In fiscal year 2022–23, the CMRAO initiated a risk-based inspections program to monitor and confirm that condominium managers and provider businesses are complying with key requirements under the *Condominium Management Services Act, 2015* (CMSA) and its regulations.

In its first years of operation, the CMRAO conducted inspections of licensees in response to complaints alleging serious types of misconduct resulting in numerous regulatory actions, including the revocation and suspension of licences. These inspections have focused on a broad range of areas of non-compliance with the CMSA, including:

- Misappropriating money and allegations of fraud
- Withholding or failing to turn over records and/or money to a client after termination of the management contract
- Interfering with the election of condominium directors and misuse of proxy forms
- Keeping poor records or non-existent records management practices
- Condoning unlicensed practice and employing unlicensed individuals
- Breaching the conditions of a licence
- Other types of dishonourable or unprofessional conduct

Rationale

In response to Recommendation 7 of the Office of the Auditor General of Ontario's **Value-for-Money Audit on Condominium Oversight** in Ontario, in 2022–23, the CMRAO commenced its proactive inspections program by carrying out 12 inspections of condominium management provider businesses.





Scope

The approach to these inspections was informed by consultations with the CMRAO Advisory Committee and focused on four key areas:

1. Records management practices, including records turnover processes
2. Administration of owners' meetings and elections, including the use of proxy forms
3. Conflicts of interest policies and disclosure to client boards of directors
4. Requirement to hold a written contract with clients

The inspections included in this pilot program were performed on a range of small, medium, and large provider businesses from different areas of the province. In some cases, the provider's history of complaints and compliance with the CMSA were considered in the selection process. The inspections focused on one or more of the key areas identified above; however, all participants were required to provide copies of management contracts with one or more clients. The project initiated a new phase in CMRAO's operations and broadened our compliance activities.

Proactive inspections are conducted for the purposes of ensuring compliance with the CMSA. While the Registrar of the CMRAO reserves the right to take appropriate regulatory actions in response to an inspection, the CMRAO does not conduct proactive inspections for punitive purposes. Rather, these inspections are intended to enhance the delivery of condominium management services in Ontario in the interest of consumers. These inspections were conducted as part of a pilot program and provided the CMRAO with valuable insights into how different providers approach common areas of condominium management. The inspections program helps the CMRAO to identify areas of best practice and areas for improvement.

Findings

As a pilot project, the inspections gave the CMRAO valuable insight into the providers' operations, which will help to enhance the program going forward.

Some key observations include:

- Large providers were more likely to have established and up-to-date policies, standard operating procedures, and training programs for their managers
- Small and mid-sized providers relied more on expertise of staff, less on standard operating procedures, training, and documentation
- Records management practices vary across providers, with one provider moving all its clients towards a fully digital environment
- Some providers could not produce copies of signed contracts with clients (had only unsigned versions of contracts)
- A number of providers were advised to implement processes to remind condo directors of director training requirements
- A number of providers were advised to develop standard operating procedures and training materials that align with requirements with the CMSA with regards to declarations of conflicts of interest, and solicitation of proxy forms

At the end of the inspection each licensee received a report with CMRAO's findings and recommendations. The recommendations are meant to help providers ensure that their business processes align with statutory requirements and enhance provision of management services to their clients. Providers provided useful feedback on the program and expressed support for continued expansion of the program.



Moving Forward

The feedback on the inspection process received from the participants has allowed the CMRAO to reassess and refine the scope of some/certain inspections. The lessons learned from these inspections will allow the CMRAO to develop new checklists focused on best practices.

In the fiscal year 2023–24, the CMRAO plans to expand the inspection program to 30 inspections and will include new inspections focused on providers' processes for supervising Limited Licensees, and ensuring that all staff who require a licence, are licensed. The CMRAO will also begin consultations on how to conduct inspections of providers' financial management practices.

The approach to these inspections will be informed by further consultations with the CMRAO Advisory Committee and the findings of the pilot program.

Inspection Guidelines

The CMRAO published resource guides to help prepare licensees with an overview of what to expect for a particular type of inspection. Using feedback from the pilot program, these guides will be updated to give licensees an opportunity to review their business practices in order to comply with requirements and prepare for a possible inspection.

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