

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Honorable Dan Goodwin, Assessor

Date: June 7, 2021

From: Jeffery S. Burgh

Subject: **AUDIT OF INTERNAL CONTROLS OVER THE ASSESSOR'S ROLE IN THE PROPERTY ASSESSMENT APPEAL PROCESS**

We have completed our audit of the internal controls over the Assessor's role in the property assessment appeal process. The results of our audit are summarized below.

BACKGROUND

Under the California Revenue and Taxation Code, the Assessor's Office is responsible for establishing the assessed value of all taxable properties within the County of Ventura. The Assessor's Office provides many additional programs and services under this mandate, including the Assessment Appeals Program. The Assessment Appeals Program is responsible for working with property owners who do not agree with the assessed value of a property and file an appeal to have the value reviewed.

In accordance with California property tax laws, a property's assessed value determines the amount a taxpayer will pay in property taxes. If a taxpayer disagrees with the value established for a property, an Assessment Appeal Application may be filed with the Assessment Appeals Board ("Board"). The Board is independent from the Assessor's Office and conducts hearings to make impartial decisions on property assessment disputes between taxpayers and the Assessor's Office.

After a taxpayer files an appeal, the Assessor's Office assigns an appraiser to work directly with the applicant. The appraiser requests information to support the applicant's opinion on the value of the property and performs a site visit. If adequate evidence supports changing the value of the property from the previously assessed value, the appraiser will present a valuation offer. The applicant can either accept the offer and sign a stipulation agreement or reject the offer and request a hearing. The stipulation agreement sets forth the agreed-upon assessed value of the property and the facts supporting the reduction in value. The stipulation is then signed by the Assessor, county legal officer, and the taxpayer, and presented to the Board. The Board can either approve the stipulation or reject the stipulation and schedule a hearing.

SCOPE

Our overall audit objective was to determine whether the Assessor's Office internal controls were sufficient to ensure objectivity and manage conflicts of interest within the Assessment Appeals Program. We focused on the process by which the Assessor's Office used stipulations during Fiscal Year 2019-20 to resolve property value disagreements. Specifically, we:

- verified that stipulations were supported by proper documentation and controls were in place to prevent and/or detect unauthorized changes to project files and assessed values;
- determined whether communication guidelines were followed as outlined in the *Ventura County Assessor Appeals Appraiser Manual* ("Manual"); and
- determined whether conflicts of interest requirements were met to mitigate potential conflicts.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

FINDINGS

Overall, we found that the Assessor's Office internal controls were reasonably sufficient to ensure objectivity and manage conflicts of interest within the Assessment Appeals Program. For example, our audit confirmed that:

- Appeal files included adequate documentation to support an objective valuation.
- Value changes resulting from stipulations were included in reports regularly distributed to managers in the Assessor's Office for review.
- Communication between the Assessor's Office and applicants generally followed documentation requirements as described by the Manual.
- Assessment Appeals Program staff filed annual disclosure forms in accordance with conflict of interest policies.

However, additional actions were needed to require written management approval of all property valuations, including valuations approved in person. Following are details of the area where improvement was needed. Assessor's Office management initiated corrective action in response to the audit as noted.

1. **Written Approval of Property Valuations.** Although the Assessor's Office asserted that Assessor management reviewed and approved property valuations before appraisers offered stipulations to applicants, **approvals were not always obtained in writing in noncompliance with the Manual.** The Manual section "Supervisor/Management Review" listed steps staff appraisers must take to obtain written email approval from supervisors before presenting offers to applicants. This section also established review limits requiring specific levels of management review depending on the type and dollar amount of the valuation change. For the three stipulations we reviewed, one stipulation file did not contain evidence of approval from supervisors, including approval from a Chief Deputy Assessor, which was required for this stipulation. While management stated that this property valuation was reviewed and approved in person, this meeting did not generate documentation to show that supervisor approval was obtained. Lack of documentation of management approval increases the risk that unsupported or erroneous valuations may be presented to applicants and relied upon by the Board.

Recommendation. Assessor management should require written approval for each property valuation, including valuations that are approved in person, to comply with the Manual's written approval requirements. Evidence of approval should be retained in a centralized location for each stipulation.

Management Action. Assessor management stated:

"The Assessor appreciates the Auditor-Controller's Office auditing the internal controls the Assessor's Office uses in the property tax appeal process. Overall, this report is very positive in regards to Assessor management of the assessment appeal duties and responsibilities. Although the Assessor management feels adequate review and approval were given for all three stipulations cited in this audit, we agree that we could not find written approval in an email for the one stipulated case mentioned in the findings.

"The Assessor's Office has rectified the recommendation and now requires written approval by email for all stipulations. The Assessor is currently reviewing the Assessor Appeals Appraiser Manual and will make sure that it is clearer that even after verbal review and approval are given, a written approval from management will be given and documented in the appropriate folder."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit finding. Assessor management plans to complete corrective actions by having the *Assessor Appeals Appraiser Manual* updated by July 30, 2021.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Linda Parks, Chair, Board of Supervisors
Honorable Carmen Ramirez, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Kelly Long, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Michael Powers, County Executive Officer