

Stark County

Summary of Testing of Appraised Values
during the period 1997 through 2003 for
Stark County



**Auditor of State
Betty Montgomery**

The Honorable Kim Perez
Stark County Auditor
Stark County Auditor's Office
110 Central Plaza South, Suite 220
Canton, Ohio 44702

The Honorable John D. Ferrero
Stark County Prosecuting Attorney
Stark County Office Building
110 Central Plaza South, Suite 510
Canton, Ohio 44701-0049

The Honorable Timothy A. Swanson
Stark County Sheriff
4500 Atlantic Blvd. N.E.
Canton, Ohio 44705-4374

On April 21, 2005, the Auditor of State's Office (AOS) received your request to assist in the investigation of certain irregularities discovered by the Stark County Auditor. We have reviewed the attached consulting engagement report completed by Plante & Moran to test the appraised values of property in Stark County for the period 1997 through 2003. The enclosed report contains the procedures completed by Plante & Moran, the results of those procedures, and recommendations for improvement.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 17, 2006

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February 28, 2006

Ms. Betty Montgomery
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Columbus, OH 43216-1140

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Re: Summary of Testing of Appraised Values during the period 1997 through 2003 for Stark County

Dear Ms. Montgomery and Messrs. Perez, Ferrero, and Swanson:

We were engaged to perform an analysis on the apparent reductions made to appraised values of real estate located in Stark County, Ohio during the 2000 appraisal update. Specifically we were asked to:

- Review the original material provided by Stark County Auditor
- Review the Informal Review (including Route 62) property worksheets
- Review a sample of parcels from the Sales Database
- Review policies and procedures related to the appraisal process

Our testing started with a data set that consisted of parcels that had declined in value from 1997 to 2000. We also obtained a data set of property sales for all of Stark County as of September 30, 2005. We then selected a sample size that was based on approximately ten percent (10%) of the population of parcels which contained appraised values that were lower than market values at the time of sale and had a decline in value from 1997 to 2000.

From the sample of parcels selected we asked for any documentation supporting a decline in value. We were provided appraiser worksheets for tax year 1997 through 2003 by the Stark County Auditor's Office. We then reviewed the appraiser worksheets along with the sales data set for any change in the parcel property characteristics. Changes included but were not limited to:

- Primary Grade
- Condition
- Square footage of the building
- Number of stories of the building
- Number of bedrooms in the building
- Building Type
- Number of baths

The following summarizes the results of our testing of all data sets:

Summary of Findings:	Number of Parcels	Percentage
▪ No documentation provided	49	26.06%
▪ Documentation provided appears to support decline in value	31	16.49%
▪ Documentation provided appears to NOT support decline in value	96	51.06%
▪ Parcels Increased in value during the time period 1997 to 2003	10	5.32%
▪ Documentation provided did not include years 1997 to 2003	2	1.06%
Total parcels tested	188	

Based on our testing we were unable to determine any pattern for the declining property tax values from 1997 through 2003. Lack of supporting documentation explaining a reduction in property tax values was prevailing during our testing of all data sets as well as lack of formal policies and procedures over the property appraisal process during 1997 through 2003. Our testing and conclusions were strictly based on information provided by the Stark County Auditor's Office. Attached are the results of our testing for each data set and in aggregate. As noted in the attached worksheets, the result described above is the same and consistent for each sample we selected independently from the sales database and the parcels originally provided by the Stark County Auditor's office.

We recognize through discussions with you and the documentation you provided to us that your office is focused on reviewing the entire process to determine appraised values for Stark County and that changes have already been made, and others have been drafted and are under consideration. Your review of the property valuation process has also included seeking guidance from others including the Stark County Prosecutor. As part of our testing, we offer the following recommendations to enhance the controls around the property tax appraisal process. We recognize that some of these items may already be under consideration or implemented. Our recommendations are solely for your consideration.

Information System Controls

The property tax "model" that is used to calculate the final values is an "in house" application. The development and maintenance of the application is performed by Stark County. The calculation of the model relies on inputs that can be modified through the use of data tables. We recommend management consider implementing documented procedures around the changing of values for any input to the data tables as well as a protocol for application program changes. Best practices would include formalizing a system development life cycle methodology as described by COBIT¹. A comprehensive system development life cycle methodology:

¹ COBIT is an IT governance framework and supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risks. COBIT is published by ISACA a leading organization of Information Systems professionals.

Information System Controls (continued)

- governs the process of developing, acquiring, implementing and maintaining computerized information systems and related technology;
- requires a structured development or modification process which contains checkpoints at key decision points and requires authorization to proceed with the project at each checkpoint;
- is complete and current based on the organization's current environment;
- is applicable for both in-house and purchased software creation and maintenance;
- has specific steps to be followed for all functions related to the application (such as acquiring; programming, documenting and testing; parameter setting; maintaining and applying fixes) and should be governed by, and in line with, the acquisition and maintenance framework for the technology infrastructure;
- requires maintaining detailed program and system documentation (i.e., flow-charts, data flow diagrams, written program narratives, etc.), and these requirements have been communicated to all appropriate staff;
- requires that documentation be kept current as changes occur;
- requires the application of rigorous and robust program/system testing at established points;
- requires that minimally, as part of every system development, implementation or modification project tests are independently verified, documented and retained;
- requires authorization for undertaking projects.

Alternatively, management may consider researching a third party property tax application that would support the logging of all changes as well as including the requirement for authorization of changes. The property tax "model" is the foundation for the property appraisal process in Stark County. We encourage management to review and formalize all controls and systems involving this application. We also encourage management to review and formalize its policy and procedures regarding computer file retention as it relates to versions of the property tax "model."

Document Retention

During our testing, we noted that Stark County did not have a good document retention policy related to this process. As we indicated, changes occurred to property tax values without sufficient, detailed documentation to support the nature of the change. We recommend management review the current document retention policy and encourage compliance with such policies. The policy should include not only specifying what documentation should be kept (for example, copies of independent appraisals provided by taxpayers) but also specify the nature and extent of written documentation explaining why changes to values were made.

Ms. Betty Montgomery
Mr. Kim Perez
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Re: Summary of Testing of Appraised Values

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Document Retention (continued)

Additionally, we noted that the documentation that was provided for our testing was stored based on tax year, rather than by parcel. Specifically, in order to get the documentation for all changes to a single parcel, Stark County would need to pull documentation from each tax year. Tax years are stored off site after three years. This process is very time consuming, makes it very difficult to know the complete history of the parcel and any of the changes there in, and does not provide the most efficient audit trail. We recommend management consider its documentation storage policy in light of these considerations.

Overall Policies and Procedures

Based on our testing and information that you provided as a result of your Office's inquiry to the Stark County Prosecuting Attorney, it appears that the county auditor has discretion concerning changes in valuation, or valuation in general, before the tax duplicate is certified by the County Treasurer (so long as valuation or changes to valuation are done according to law). It appears that after the tax duplicate is certified to the County Treasurer, changes then must be made by the Board of Revision. In this letter, we have already provided a number of recommendations for your consideration to improve and enhance controls involving the property tax appraisal process.

Our final recommendation for your consideration involves the overall process for approving changes that occur before the tax duplicate is certified by the County Treasurer (and we are aware that your office has already developed a draft policy for corrections to the record after certification of the tax duplicate). While it appears to not be required by law, we encourage your office to consider whether all valuation changes made following the original notice of appraised value to taxpayers should be approved by the Board of Revision. We realize that this is a significant change from the current operation of the office and may present some practical limitations. Another consideration would be for your office to create another group (for example, an internal committee, a subcommittee of the Board of Revision, a combination thereof, etc.) to formally approve all valuation changes made following the original notice of appraised value and before certification of the tax duplicate. If your office concludes to develop such a process, we recommend including for this group's consideration any significant changes to be made to the property tax model as well, and that a formal record be kept of the actions of this group related to valuation changes.

We are providing an example of a process used elsewhere (see two page document labeled "2006 Property Tax Assessments") which does require approval of all changes after the original notice of appraised value by a formal board of review. It should be noted, though, that in the example provided a separate board of review operates in each individual governmental jurisdiction and not just at the county level. As we previously indicated, based on your current governance structure, we recognize the practical limitations of requiring that every change be approved by the Board.

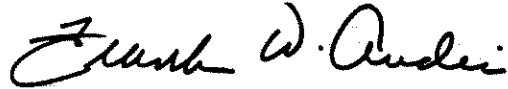
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If you have any questions relating to the information provided or would like to discuss anything further, please contact me at (248) 223-3378.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink that reads "Frank W. Audia". The signature is written in a cursive style with a large, stylized initial "F".

Frank W. Audia, CPA

2006 PROPERTY TAX ASSESSMENTS

Dec. 31, 2005	Tax day for 2006 assessments and 2006 property taxes. MCL 211.2.
March 6	<u>First Monday in March</u> : The 2006 assessment roll shall be completed and certified by the assessor. MCL 211.24. Notifications of assessment then provided to taxpayers.
March 7	The assessor shall submit the 2006 assessment roll to the Board of Review (BOR) on the Tuesday following the first Monday in March. MCL 211.29.
March 7	<u>Tues. following first Mon. in March</u> : First meeting of township Board of Review. MCL 211.29. Note : City BOR may vary according to Charter provisions.
March 13	<u>Second Mon. in March</u> : Second meeting of township Board of Review which must start not earlier than 9 a.m. and not later than 3 p.m. Board of Review must meet one additional day during this week. MCL 211.30 Note : City BOR may vary according to Charter provisions. The March Board of Review has no authority over Homeowner's Principal Residence exemptions. The governing body of a city or township may authorize an alternative starting date for the second meeting of the March Board of Review. The alternative starting date can be either the Tuesday or the Wednesday following the second Monday in March. Every Board of Review shall hold at least 3 hours of its required sessions during the week of the second Monday in March <u>after 6 p.m.</u>
April 3	<u>First Monday in April</u> : Unless the BOR has concluded earlier, last day for BOR protest of assessed value, taxable value, property classification or percentage of qualified agricultural property exemption assigned by Assessor and Board of Review. MCL 211.30a.
Note:	A protest of assessed valuation or taxable valuation or the percentage of Qualified Agricultural Property exemption subsequent to BOR action, must be filed with the Michigan Tax Tribunal, <u>in writing on or before June 30</u> at P.O. Box 30232, Lansing, MI 48909. A classification appeal must be filed with the State Tax Commission in <u>writing on or before June 30</u> (P.A. 476 of 1996) MCL 211.34c at P.O. Box 30471, Lansing, MI 48909-7971. A classification appeal does not address value or change the equalization factor for the property for the first year, if the STC changes the class.
April 5	The township supervisor or assessor shall deliver completed assessment roll, with BOR certification, to the county equalization director not later than the tenth day after adjournment of the board of review or by April 5 (the Wednesday following the first Monday in April) whichever date occurs first. MCL 211.30(4).

Note:	An assessor shall file STC form L-4021 with the County Equalization Department, and STC form L-4022 with the County Equalization Department and the State Tax Commission, immediately following adjournment of the board of review. [209.26(10a), (10b)]. STC form L-4022 must be signed by the assessor.
April 11	<u>Tues. following second Mon. in April:</u> County Board of Commissioners meets in equalization session. MCL 209.5 and 211.34. The equalization director files a tabular statement of the county equalization adopted by the County Board of Commissioners on the STC form L-4024 prescribed and furnished by the STC, immediately after adoption. County equalization shall be completed and official report (STC form L-4024) filed with STC prior to May 1, 2006 (First Monday in May).
April 17	<u>Third Mon. in April:</u> Equalization director files separate STC form L-4023 for each unit in the county with the STC no later than April 18 MCL 211.150, [R 209.41(8)].
May 1 *	<u>First Monday in May:</u> Deadline for filing official County Board of Commissioners report of county equalization (L-4024) with STC [R 209.5]. Appeal from county equalization to Michigan Tax Tribunal must be filed within 30 days after the adoption of the county equalization report by the County Board of Commissioners. MCL 205.735.
May 22	<u>Fourth Mon. in May:</u> State Equalization Proceeding - final State Equalization order is issued by STC. MCL 209.4.
June 5	<u>First Mon. in June:</u> Deadline for notifying protesting taxpayer in writing of Board of Review action. MCL 211.30.
July 1	Taxes due and payable in those jurisdictions authorized to levy a summer tax. (Charter units may have a charter provision with a different due date).
July 18	<u>Tues. following the Third Monday in July:</u> Special meeting of the July BOR may be convened by the assessing officer to correct a mutual mistake of fact or clerical error. MCL 211.53b.
Dec. 12	<u>Tues. following the second Mon. in Dec:</u> Special Board of Review meeting may be convened by assessing officer to correct a mutual mistake of fact or a clerical error. MCL 211.53b.

PLANTE & MORAN NOTES:

- "County Auditor" has the same responsibilities as "Assessor."
- Certain dates and procedures are not relevant as a result of differing legal requirements, governance structures and overall taxation system differences.
- This does not represent the entire tax calendar. The calendar was edited for relevant steps in the process.

Source: Excerpted from Michigan State Tax Commission, 2006 Property Tax and Collections Calendar.

Stark County
Summary of Tested of Appraised Values during the period 1997 through 2003

Note: While our work involved the analysis of appraisal values and sales data, our engagement did not include an audit, review, or compilation of the financial statements and therefore, we are not expressing an opinion or any other assurance on the underlying data. Our conclusions were based solely on the information provided by members of the Stark County Auditor's Office.

Sales Data Analysis (Note 2)

Testing Category from Summary of Database Population
Sample Description of tests

	Note 1 A	Note 1 B	Note 1 C	Note 1 D	Note 1 E
Values went down in 1997 to 2000 and went up in 2000 to 2003 in districts 1, 2, 6, 16, 43, and 52, and had adjustment 11 overrides	6	-	-	3	17
No documentation provided	2	1	6	-	8
Documentation provided appears to support decline in value	4	3	13	7	21
Documentation provided appears to NOT support decline in value					
Total parcels tested	12	4	19	10	46

Informal Review and Route 62 Testing (Note 3)

No documentation found in Route 62 boxes
Documentation provided appears to support decline in value
Appraisal value was "rolled back" to a prior years taxable value without any supporting documentation

Total parcels tested

Parcels from Rte 62 boxes	23
	6
	30
Total parcels tested	59

Sample provided from Stark County

Documentation provided appears to support decline in value
Documentation provided appears to NOT support decline in value
Parcels increased in value during the time period 1997 to 2003
Documentation provided did not include years 1997 to 2003
Appraisal value was "rolled back" to a prior years taxable value without any supporting documentation

Total parcels tested

Parcels from Stark County "Initial Sample"	
	8
	14
	10
	2
	4
Total parcels tested	38

Stark County
 Summary of Testing of Appraised Values during the period 1997 through 2003

Note: While our work involved the analysis of appraisal values and sales data, our engagement did not include an audit, review, or compilation of the financial statements and, therefore, we are not expressing an opinion or any other assurance on the underlying data. Our conclusions were based solely on the information provided by members of the Stark County Auditor's Office.

	Sales Data		Informal Review and Route 62		Sample from Stark County		Totals
Summary of Findings							
No documentation provided	26	28.57%	23	38.98%	0	0.00%	49
Documentation provided appears to support decline in value	17	18.68%	6	10.17%	8	21.05%	31
Documentation provided appears to NOT support decline in value	48	52.75%	30	50.85%	18	47.37%	86
Parcels increased in value during the time period 1997 to 2003	0	0.00%	0	0.00%	10	26.32%	10
Documentation provided did not include years 1997 to 2003	0	0.00%	0	0.00%	2	5.25%	2
Total parcels tested	91		59		38		188

Policies and Procedures

Per discussion with Ted Dunbar, Real Estate Appraiser at Stark County, formal policies and procedures did not exist for the period 1997 to 2003 as it related to appraisal values for Stark County parcels. Further, it is our understanding the message to the appraisers out at Route 62 was to assist taxpayers in any way possible. Based on these findings, we have made a number of suggestions for the County's consideration to enhance controls.

Conclusion:

Based on our testing we were unable to determine any pattern for the declining property tax values from 1997 through 2003. Lack of supporting documentation explaining a reduction in property tax values was prevailing during our testing of all data sets as well as lack of formal policies and procedures over the property appraisal process during 1997 through 2003.

Note 1: There were no parcels that met the criteria for testing in districts 18 & 60.

Note 2: We were provided data that consisted of parcels that had declined in value from 1997 to 2000 for our testing. We then selected a sample size that was based on approximately ten percent (10%) of the population of parcels which contained appraised values that were lower than market values at the time of sale. Our selection was based on random sampling of the parcels that met each criteria explained above.

Note 3: From the AWAQ database we randomly selected 25 parcels for testing from the Informal Review (including Route 62) boxes. However, only two (2) out of the 25 parcels were found in the boxes. We then instructed Ted Dunbar to obtain a comparable parcel based on the district of the missing sample parcel selected by P&M. Ted Dunbar selected 34 additional parcels for testing.



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STARK COUNTY SUMMARY OF TESTING OF APPRAISED VALUES

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 17, 2006**