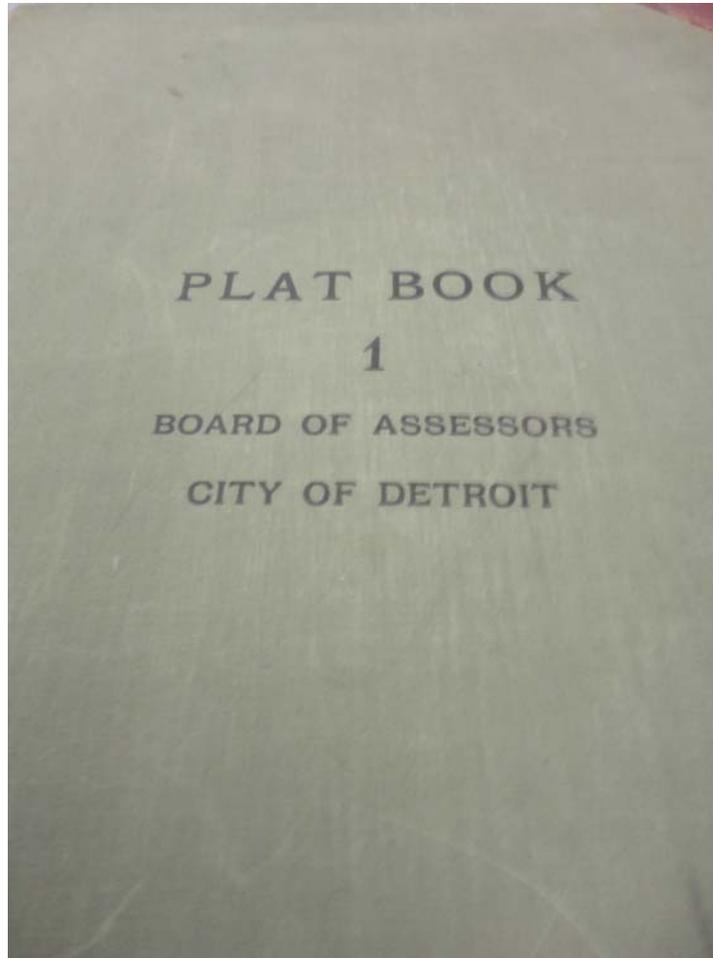


City of Detroit

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**OFFICE OF THE AUDITOR GENERAL**



**Performance Audit of the Finance Department Assessments Division**

**July 2008 – June 2011**



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Mark Lockridge  
DEPUTY AUDITOR GENERAL

**MEMORANDUM**

**DATE:** September 10, 2012

**TO:** Honorable City Council

**FROM:** Mark Lockridge, CPA, CIA, CGAP *MAL*  
Deputy Auditor General

**RE:** Performance Audit of the Finance Department Assessments Division

**CC:** Mayor Dave Bing  
Cheryl Johnson, Group Executive/Finance Director  
Jack Martin, Chief Financial Officer

Attached for your review is our audit report on the Finance Department Assessments Division. This report contains our audit purpose, scope, objectives, methodology, and conclusions; background; our audit findings and recommendations; and the response from the Finance Department Assessments Division. The report of cash receipts of the Assessments Division is published under separate cover.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Assessments Division and the Finance Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Assessments Division and the Finance Department for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/Default.aspx>

**Performance Audit of the Finance Department Assessments Division  
July 2008 – June 2011**

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AGENCY RESPONSE

Assessments Division

ATTACHMENT A

## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS**

### **AUDIT PURPOSE**

The audit of the Finance Department Assessments Division was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

### **AUDIT SCOPE**

The scope of this audit was an independent review and assessment of the effectiveness and efficiency of the Finance Department Assessments Division's operations and its compliance with Finance Directives, policies, plans, procedures, laws, and regulations regarding its operational performance during the period of July 1, 2008 through June 30, 2011.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

### **AUDIT SCOPE LIMITATIONS**

Our audit did not include a review, evaluation, or substantiation of the City's assessed, taxable, or any other specific property values. In addition, the performance audit results do not include a review or evaluation of specific appraising activities involved in the calculation of assessed, taxable, or any other specific property values.

### **AUDIT OBJECTIVES**

The overall audit objectives were:

- To evaluate the effectiveness and efficiency of core operations of the Assessments Division;
- To determine the Assessments Division's compliance with Finance Directives, policies, plans, procedures, laws, and regulations; and
- To determine the status of findings from prior related audit reports.

### **AUDIT METHODOLOGY**

To accomplish our audit objectives we:

- Read the prior audit report(s);
- Reviewed prior audit workpapers, City Charter, Municipal Manual, Detroit Resource Management System (DRMS) reports, the department's budget reports, the Comprehensive Annual Financial Report (CAFR), organization charts, policies, procedures, ordinances, and Finance Directives;
- Gathered policies and procedures of core operations and other similar data;

- Conducted an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and performance areas to audit;
- Developed questions regarding the department's transactions, controls, functions, records, and personnel;
- Interviewed department personnel;
- Documented and tested processes;
- Prepared a risk assessment to determine high-risk areas.

## **CONCLUSIONS**

Based on our performance audit, we have concluded that the Assessments Division:

- Assessing activities and data management activities are inefficient and are not effective, and they lack sufficient internal controls;
- Does not follow the City policies for contracts and disbursements nor does it effectively administer or monitor contracts;
- Does not adequately safeguard public property and original records from damage or destruction due to environmental risks;
- Does not comply with City directives, policies and procedures, and State Laws regarding retention and archiving of specific property assessment information and some departmental information;
- Failed to retain sufficient documentation to support revenues and collections of taxes;
- Has significant weaknesses in the internal controls surrounding the accounting for capital assets;
- Did not comply completely with year-end closing procedures;
- Has an unresolved prior audit finding.

We also have concerns and issues relative to the execution of the Division's underlying managing principles of planning, organizing, leading, and controlling.

## EXECUTIVE SUMMARY

The Finance Department Assessments Division is authorized under the City Charter Section 6-304 and is located in Suite 804 of the Coleman A. Young Municipal Center. A three-member Board of Assessors, whose compensation is established by ordinance, heads the Assessments Division. Currently, the City has one vacancy on its Board of Assessors.

The Assessments Division handles the assessments of all 387,000 parcels of residential, commercial, personal, and industrial properties in the City of Detroit. They are responsible to discover, identify, record, and annually determine the assessed, taxable, and capped values for the purpose of levying taxes that generate substantial revenue for the City. The Assessor is required to warrant the Assessment Roll to the Treasurer for collection of taxes and to defend the values placed on the Roll before the Board of Review, the Michigan Tax Tribunal, and the State Tax Commission.

As a result of our audit, we have concluded that the overall operation of the Assessments Division falls short of their goals and objectives. Moreover, guided by the State Tax Commission's 14-Point Local Unit Review (of assessing units), we found that the Division's assessing operations are inefficient, ineffective, and lacking in some areas of its assessing activities.

A useful component of a performance audit is to examine the four managing principles of the organization - its planning, organization, leading and controlling activities. Lack of performance of an organization can usually be traced to a breach of some management principle. During our audit we found issues and have concerns relating to the execution of the key managing principles underlying the Assessments Division. Our concerns are addressed in this report.

Although there has been stability in leadership during the audit period, a recommendation from Mayor Bing's Crisis Turnaround Team focuses on the immediate need to develop a succession plan to ensure that qualified staff are in place and trained to fill key positions. The remaining two assessors agree that this is a major challenge facing the organization.

The schedule on the next page presents a comprehensive list of our recommendations. Detailed explanations of the findings behind each of these recommendations are contained in this report.

<b>Summary Of Findings Recommendations</b>		<b>Page</b>
1.	Aggressively expand the implementation and use of Pictometry software to assist with valuations, assessments, and conversion efforts	13 21
2.	With the help from state regulatory agencies, programmatically identify exempt organizations in the City of Detroit and correct exempt status on the tax rolls	13
3.	Utilize current functionality in Equalizer to enhance edits and improve reporting of value changes and updates in the system	13
4.	Reinstate line-level managerial or supervisor reviews of valuation changes in Equalizer	13
5.	Data Management establish standards for assessing and calculating property tax affidavit penalties	15
6.	Utilize functionality in Equalizer to capture information about property tax affidavits	15
7.	Work with the Planning and Development Department (P&DD) to correct the tax rolls for city-owned properties	21
8.	Automate flow of property transfer documents from P&DD relating to sales and acquisitions of city-owned properties	21
9.	Work with the Buildings, Safety Engineering and Environmental Department (BSE&ED) to automate the flow of building permits activity; prioritize assessing activities accordingly	21
10.	Investigate a long-term solution with BSE&ED that incorporates sharing resources (appraisers and inspectors) to achieve maximum efficiency and effectiveness of site visits	22
11.	Adequately segregate duties over all disbursements, including imprest cash purchases	26
12.	Fully comply with Finance Directives governing purchases and documentation for sole-sourced suppliers	26
13.	Ensure that purchase order and contract files are maintained and well-documented	26
14.	Implement contract monitoring procedures for professional and personal services contacts	26
15.	Create an effective system to monitor internet services revenues including identifying the appropriate amount of expected revenues and reconciling amounts to actual revenues received	27
16.	Comply with City directives regarding retention of income reports, receipts, and accounting records until audited	27
17.	Investigate alternative solutions to preserve the PLAT books such as securing historical document designation	32
18.	Investigate a solution to protect property record cards from fire or water damage that may include active or passive fire protection systems	32
19.	Expedite purchase of document imaging technology to increase efficiency and enhance its document retention practices	32
<b>Summary Of Findings Recommendations</b>		<b>Page</b>
20.	Implement an file control system to track the movement of property records within the Division	32
21.	Develop an effective and efficient system which provides customers with appropriate fee-for-services that incorporate sufficient cash management practices	32
22.	Increase efforts to convert information contained in manual records to Equalizer through well-defined, select, and targeted conversion projects	32
23.	Comply with Finance Directive 99 Record Retention to provide permanent copies of Board of Review proceedings to the City Clerk;	32



## BACKGROUND

The Assessments Division handles all annual assessments of residential, commercial, personal, and industrial property for the purpose of levying property taxes, as defined in the 2012 City Charter. The Assessments Division's authority is derived from the constitution and the statutes of the State of Michigan. The State Tax Commission proscribes certain reports to be filed for review. Michigan Compiled Laws (MCL 211.44) outlines the statutory funding level that must be maintained. The Assessments Division is included in the General Fund as a division of the Finance Department.

The following table shows the budgeted expenditures, revenues, and number of staff for the Assessments Division for fiscal years 2009-2010, 2010-2011, and 2011-2012:

	<b>Fiscal Year</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Expenditures	\$ 6,951,937	\$ 6,965,395	\$ 6,786,040
Revenues	200,000	200,000	200,000
Staffing Levels	61	56	53

The Finance Department Assessments Division is headed by a three member Board of Assessors appointed by the Mayor.

According to state laws, a Certified Level IV Assessor is required to warrant the City of Detroit's tax rolls. The Chief Assessor, Linda Bade is also the director of the Assessments Division. Administratively, this position reports to the Chief Financial Officer. Professionally, however, the Chief Assessor reports to the State and County Tax Commissioners. The other member of the Board of Assessors is Frederick Morgan, who is also a Certified Level IV Assessor; the board has one vacancy due to an assessor (Julie Castone) retiring in June 2011.

The Assessments Division's fiscal year 2010-2011 goals were to:

- Value and assess at statutory level of 50% all properties within the city of Detroit, which are not exempt by the December 31st statutory tax day and produce an assessment roll by February 1<sup>st</sup>;
- Warrant a correct tax roll to the Treasurer on the day proscribed by statute, listing all parcels liable for taxation, coded correctly to ensure each parcel is billed the correct mileage;
- Conduct site reviews of the required 30% of all property annually; field review, capture and correctly value all real and personal property within the

- jurisdiction; process all personal property statements. Perform audits of personal property accounts as necessary;
- Respond to city Budget and Finance Officials, rating agencies and city departments requiring statistical information, analysis, or projections based on the Assessment Roll, or property data;
  - Collect and analyze such assessment data to enable timely production of statutory, fiscal, and fiduciary reports;
  - Update, process and maintain property parcel records, taxpayer mailing addresses, property transfer affidavits, poverty applications, tax abatement program applications, non-profit exemptions, principal residence exemptions, and title company deed requests;
  - Continue to update all cartographic maps, parcel maps, process all engineering changes, and provide boundaries and analysis for all abated districts; provide 'smart maps' for planning, programming, and analysis.

The Assessments Division is responsible for maintaining records relating to real and personal property located in the City of Detroit and maintains both a manual and electronic assessing system. According to the Michigan's State Assessors Board (MSAB):

The importance of establishing and maintaining a property record card for each parcel of property cannot be over-emphasized. With a property record card system and accurate maps, the assessor is able to note physical changes of the property annually and also to keep a record of changes in value. A system must be established to ensure that all available information is received. Copies of building permits and sales transactions are the most primary source of this type of information.

## STATUS OF PRIOR AUDIT FINDINGS

The prior Internal Control Review of the Finance Department Assessments Division (1998) and the Performance Audit of Finance Department Treasury Division (2009) by the Office of the Auditor General included the following audit findings related to the Assessments Division:

1. Special Assessment Roll Weaknesses (September 1998)  
*This finding no longer relates to the Assessments Division as these costs are now handled by the Buildings, Safety Engineering and Environmental Department and the Department of Administrative Hearings.*
2. Tax Exempt Properties - Verification of Exempt Status (September 1998)  
*This finding has not been resolved and is discussed in finding 1 on page 10 of this report.*
3. No Recent Independent Quarterly Audits Of Imprest Cash (September 1998)  
*This finding has been resolved.*
4. The Treasury Division Imprest Cash Did Not Agree with the Authorized Amount (March 2009)  
*The portion of this finding relating to the Assessments Division has been resolved.*
5. The Treasury Division Does Not adequately Manage Imprest Cash (March 2009)  
*The portion of this finding relating to the Assessments Division has been resolved.*

## AUDIT FINDINGS AND RECOMMENDATIONS

### **1. Assessing Activities Need To Be More Efficient and Effective, And Require Additional Internal Controls**

The Assessments Division's operations are not efficient or effective and there is a lack of sufficient internal controls over assessing activities.

- The Division does not comply with state requirements or its internal metric to conduct site visits for 30% of properties annually. Instead, based on our sample, the average number of years since the last recorded site visits is 22.8 years for commercial and industrial properties, and 30.0 years for residential properties.
- In the City's electronic assessing system known as "Equalizer", a property is in an "override status" when its assessed value is input as a total amount, versus the system method of calculating a value based on physical property attributes and other assessment criteria. The property's assessed value is "disconnected" in the system. Assessed values in Equalizer are historical aggregate amounts, which were transferred from the previous assessing system known as "IPDS" (Integrated Physical Data Systems):
  - Of the 42 properties audited, 28 (66.7%) remain in override status;
  - A representative in the Assessments Division estimated that 92% of the City's parcels 387,000 remain in override status in Equalizer.

The Assessments Division maintains assessment information on manual property record cards and electronically in Equalizer. Several issues were associated with converting data from the manual property record cards, to IPDS, and subsequently to Equalizer. Information on property record cards did not match information in the system, or the actual physical property. Management acknowledged that they have accuracy issues with property information because of the conversion, economic conditions, and changing property valuations. The result is inaccurate or incomplete information and errors in property descriptions and valuations in the Equalizer. Based on our sample testing, we found:

- Prior to the conversion a property listed three commercial buildings, however, after the conversion the property listed one store, and two apartment buildings;
- A vacant lot which still included the original building; assessed values were not updated appropriately;
- A property that was improperly listed as tax exempt, and the apartment building only had a base rate of \$5 per square feet.
- The error rate for accuracy of property information on property record cards (the manual assessing system), as well as information in Equalizer, was greater than 5%, which is not a passing score according to the Michigan State Tax Commission (STC);
- The majority of commercial and residential properties sampled, 39 of 42 (92.9%), did not have a sketch or picture of the property in Equalizer:

- Pictures and sketches are not updated in Equalizer and some were attached to the wrong property;
- Although most properties had a picture or sketch on the manual property record card, however, given the time elapsed between site visits, much of this data is now outdated and may not be accurate.
- The results of site visits by the OAG, revealed that for five of the 22 (22.7%) residential properties audited, the actual condition of the building or property did not match its condition in Equalizer;
- The results of site visits for commercial and industrial properties highlighted:
  - One case where a commercial property was retired even though there is still a physical structure (abandoned restaurant) on the land. The building is not in Equalizer and the property owner is not receiving a property tax bill;
  - Conversely, three other instances were found where Equalizer reported buildings but in fact they were vacant properties. In one instance, Equalizer still had the picture of the building as it was being demolished and still had the permit as needing review, even though the building is gone and now it is a vacant lot.
- There is a lack of controls and first-level supervisory oversight for property value changes in Equalizer:
  - The system does not edit or limit the dollar value an appraiser can change; there are no “limit checks” in Equalizer for update transactions;
  - Transaction reports are not routinely available to line managers;
  - Even though the Division has a manual process whereby transactions for residential and commercial properties over \$100,000 and transactions over \$50,000 for industrial properties must be approved by the Assessors; there is no evidence that follow-ups are done to ensure that the actual updates were made in accordance with the approved amounts.

According to the Michigan’s State Assessors Board (MSAB), key components of an effective assessment system include accurate property data, complete maps and files, accurate sales data, and effective internal controls.

The Assessments Division’s Fiscal Year 2010-2011 goals include conducting site and field reviews of the required 30% of all property annually, capturing and correctly value all real and personal property within the jurisdiction. Major activities include discovering, identifying, recording, and valuing property. Identifying, recording, and valuing property involves:

- Performing land inspections to verify the legal description using parcel maps and property record cards;
- Measuring and listing the physical attributes of structures;

- Determining abnormal obsolescence such as vandalism, broken windows, fire damage, holes in roofs, etc.;
- Performing sales verification by interviewing buyers and sellers to verify prices paid for property;
- Updating property record cards based on what is seen while in the field.

The MSAB's Training Manual states that:

- Physical inspections, often of a "drive-by" nature, should be conducted on a systematic basis or in conjunction with reappraisal efforts;
- The Assessor should maintain internal controls including edit procedures to check data for reasonableness and consistency before being used in the determination of assessments.

The effect of not conducting the required annual site visits results in detailed property records (including data in Equalizer), assessments, and the City's tax rolls that are not accurate. Assessments can only be as accurate as the property data on which they are based. Understated assessments results in lost revenues for the City, while overstatements increase revenues at the expense of property owners.

A representative with the Buildings, Safety Engineering and Environmental Department (BSE&ED) reported that over 70% of the tickets issued by them for blight violations, handled by the Department of Administrative Hearings (DAH), were dismissed because of incorrect information regarding property ownership. The loss of collections was attributed directly to the lack of current and accurate information in the City's property database.

Site visits are essential to establishing credibility with taxpayers and the Michigan Tax Tribunal (MTT). Lack of site visits limits an appraiser's ability to make accurate assessments of properties and to assess neighborhoods.

Managers need controls and reports that are timely, accurate, meaningful, and economical to meet their responsibilities. Lack of controls and inaccurate reporting hampers management from effectively analyzing operational results and performance.

The Assessments Division relies primarily on the taxpayer to initiate property transactions because it is "by law" their responsibility. According to management, "it is always the taxpayer's obligation to assure that tax rolls are correct...the Division does not have staff that can play detective." However, taxpayers often are not timely or forthcoming with property transfer information which could result in lost revenues for the City.

Division Management stated that while their goal is to conduct site reviews of 30% of all properties annually - it is a goal and not based on actual performance. It was stated that they do not have staff to routinely do site visits.

Regarding transaction reporting, several managers advised that they do not have the staff to check all the daily updates that are done by an appraiser and that they have requested reinstating transaction edit reports.

Key representatives from the Division stated that there are limitations with the Equalizer system and that the system is not being fully utilized. They reported that:

- There are codes in the system that would be helpful, but not all of the codes are being used;
- Staff has not been trained and some supervisors do not know how to use the codes;
- Our version of Equalizer has limitations as it does not handle drawings and photos:
  - According to representatives of the Assessments Division, the system does not have enough space so it “losses stuff, one day a drawing might be there and gone the next.” The problem was reported to management in 2007 and 2008, and the staff was advised not to put pictures and drawings in Equalizer. They were told to use separate stand-alone software, Apex, to do the drawings. However, Apex does not store the drawings; instead, Division staff has to make hard copies and put them in the files which are kept in the property file room.

Employees also cite the lack of updated technology and equipment (such as old cameras, broken printers, and photocopy machines), inadequate access and antiquated communications with taxpayers, as contributing factors to inefficiencies and lack of effectiveness.

Other discrepancies were contributed to the lack of staff and inappropriate activities:

- Some properties are exempt and not taxed; they are not a high priority;
- A property was incorrectly retired by a staff person even though this type of change was outside of their area or responsibility; the manager was not sure why the property was retired.

Prior to Pictometry, a technician working on Industrial properties would spend three days in the field and two days to input the information; and on average, they were only visiting three to four industrial properties per day. Pictometry allows an appraiser to accurately measure properties in a matter of minutes and without travel costs. An appraiser can average fifteen properties per day. Based on the Office of the Auditor General’s calculation, statistically, this represents a 375% - 500% increase in productivity, not including cost savings stemming from significant reductions in gas and mileage expenses.

## **Recommendations**

We recommend that within the Assessments Division, management expand the implementation and use of Pictometry software to assist with valuation, assessment, and conversion efforts.

In addition, we recommend the Assessments Division explore getting assistance from the State of Michigan Tax Commission, the Attorney General's Office, and the Department of Licensing and Regulatory Affairs (LARA) Corporation Division to programmatically identify exempt organizations in the City of Detroit. Ideally, an authoritative list can be compared to properties currently stated as exempt in Equalizer and exception reports produced. We further recommend that the Division establish a plan to recertify the exempt status of all properties on the exception report.

Further, with respect to changes and updates in Equalizer, we recommend that the Assessments Division:

- Establish appropriate transaction edits in Equalizer and implement line-level managerial or supervisor reviews of property changes. Thresholds should be low enough to provide reasonable assurance of accurate assessments and updates but should not stifle productivity;
- Provide transaction exception reports to managers or supervisors so they can review the accuracy of work done by their subordinates.

**2. Data Management Activities Require More Efficiency Effectiveness, And Additional Internal Controls**

Data Management activities over the processing of property transactions initiated by property owners lack sufficient internal controls and effective first-level supervisory oversight.

**Property Transfer Affidavits**

Michigan State Law requires that Property Transfer Affidavits (PTA's) be filed by the new homeowner with the city where the property is located within 45 days of the transfer. If it is not filed timely, a penalty of \$5 per day (maximum \$200) applies.

- PTA's Filed by Individual Property Owners

- Fourteen of 72 (19.4%) of the PTA's had at least one of the types of input/process errors described below:

Types of Input/Process Errors	Types of Input/Process Errors
Filing date not stamped on PTA	Filing date wrong in Equalizer
PTA not signed by property owner	Wrong address in Equalizer
Inaccurate exemption applied	Sale date incorrect in Equalizer
Type of exemption not properly recorded in Equalizer	Wrong sales price recorded in Equalizer

- There were thirteen PTA's filed after 45 days from the date of the sale, seven (58.3%) of these transfers were not assessed a penalty; and in four (30.8%) of the transfers the penalty was incorrectly calculated.

- PTAs Filed via Wayne County Sheriff Deeds

- Nine of the 36 (25.0%) of the transfers arising from Wayne County sales had input/process errors including no filing date stamped or incorrect filing date in Equalizer.

**Principal Residence Exemptions (PRE)**

The Assessments Division did not document validating the property owner through proper identification for eight of fifteen (53.3%) PRE's reviewed in our sample.

According to the Division's Data Management procedures:

- Every piece of correspondence that comes into data management must be date stamped. The date documentation is received in the Division is critical, as it becomes the filing date for PTA's and it is used to assess applicable penalties;
- Staff must check that PTA's are signed, dated and properly completed by the property owner;

- A property owner filing a Principal Residence Exemption (PRE) must have a government issued ID (e.g. driver's license) as the assessed address.

As stated earlier, the Assessments Division relies primarily on the taxpayer to initiate property related transactions. However, the Division acknowledged that a current trend exists where investors have figured how to “skirt the system” – they buy property and wait until just before they sale the property to file the PTA, thereby avoiding paying property taxes.

Division management gave several reasons for errors in Data Management's processing of property transfer documents:

- Large volume of documents to process;
- Human error, going too fast;
- Staff shortages due to layoffs or leave-of-absences.

### **Recommendation**

We recommend that the Division establish standards for properly assessing and calculating property tax affidavit penalties. Employees should receive refresher training classes on the proper procedures. The Division should investigate utilizing functionality in Equalizer to capture and retain information about property tax affidavits, penalties assessed, and penalties paid. Additional benefits from electronically storing this information include:

- Providing checks and balances and accountability for revenues collected for penalties;
- Increased efficiency in responding to customers inquiries regarding payment of penalties.

### **3. The Assessments Division Needs To Use Discovery Information More Efficiently and Effectively**

The Assessments Division processes for receiving and utilizing “discovery” information relating to property changes is inefficient and ineffective.

The Division’s major operations include discovering, identifying, recording, and valuing property. Discovery of information relating to real and personal properties comes from permits, sales verification, customer complaints, correspondence, canvassing, media, returned mail, Equalizer reports, and a review of City Council agendas. The chart below identifies the major sources of internal and external information for the Assessments Division.

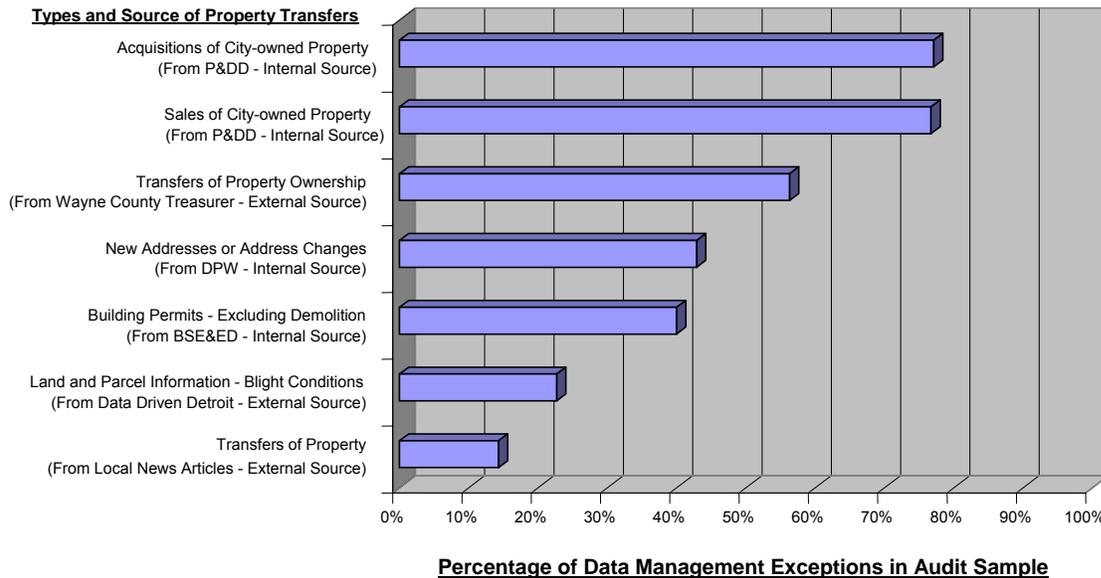
#### **Major Sources Of Information Used In Discovery**

<b>Source</b>	<b>Name of Source</b>	<b>Types of Information</b>
Internal	Planning and Development Department (P&DD)	Acquisitions and sales of City-owned property
Internal	Department of Public Works (DPW)	Information to add or remove special assessments, evictions and trash collections, bulk day trash violations, new addresses
Internal	Buildings, Safety Engineering and Environmental Department (BSE&ED)	Building permits (new construction, additions, and demolitions), special levies for sidewalks
Internal	Finance Department Treasury Division	Information regarding collections
Internal	Detroit Fire Department (DFD)	Fire damage to structures, escrow funds for demolition
Internal	Recreation Department Forestry Division	Unsafe conditions, diseased trees
External	Wayne County Registrar of Deeds; Wayne County Treasurer	New deeds, sales information, foreclosures, land bank properties
Other Sources	Sales verification, customer complaints, correspondence, canvassing, media, returned mail, Equalizer reports, and review of the City Council agendas.	

See **Appendix A** for a graphical overview of the Assessments Division’s operations data and information flows.

The following chart is an overview of the sources of exceptions found during our review of the Division’s processing of property transfer information from internal and external sources, followed by a detailed report of the exceptions:

### **Overview Of Sources Of Exceptions Found During The Review Of Property Transfer Information**



### **Sales and Acquisitions Of City-Owned Properties**

Many exceptions were found during our review of sales and acquisitions of city-owned property handled by the Planning and Development Department (P&DD):

- A majority (or 37 out of 48) of P&DD sales of city-owned property were not accurately reflected in Equalizer. This means that overall, 77.1% of the sales tested had at least one type of exception or error:
  - Of these exceptions, 23 (62.2%) of the sales were not reflected in Equalizer; and in several of these cases, there was no record in Equalizer that the property was ever owned by the City;
  - Ten (27.0%) of the properties sold by P&DD were still listed as City-owned and dated back to sales in 2007; Eight of these addresses of properties sold by P&DD, could not be found in Equalizer;
  - The sales price did not equal or could not be verified for five (13.5%) of the sales transactions;
  - Six (8.1%) properties involved in three multiple-property sales were not properly uncapped the year following the sale;
  - For sales that were recorded in Equalizer, the average period between the sale and the date it was updated was 273 days or 9.1 months;

process time ranged from the shortest period of two days to the longest period of 720 days or 23.4 months.

- A majority of the purchases by P&DD had a least one type of exception or error; 33 of 43 (76.7%) of the properties acquired by P&DD were not reflected as city-owned and were still stasured as taxable property and not tax-exempt.

P&DD's reconciliation of city-owned properties in their database compared to city-owned properties in Equalizer (as of January 2011) revealed the following:

<b>CATEGORY</b>	<b>NUMBER OF PARCELS</b>	<b>COMMENTS</b>
Assessors & P&DD = City Owned	<b>39,951</b>	These parcels are identified as city-owned in both Equalizer and P&DD's database
Assessors = City Owned P&DD ≠ City Owned	<b>1,697</b>	These properties are of concern because they are still classified as tax-exempt but we should be assessing property taxes. These parcels represent sales of city-owned properties
Assessors ≠ City Owned P&DD = City Owned	<b>18,832</b>	<ul style="list-style-type: none"> <li>• 15,367 of these parcels represent properties that have been transferred to us from Wayne County primarily resulting from foreclosures</li> <li>• The remaining 3,465 parcels came from other sources</li> <li>• These overstate our collectible property tax revenues because city-owned property is exempt from taxes</li> </ul>
<b>TOTAL</b>	<b>60,480</b>	<b>City-Owned Properties</b>

### Property Transactions From Other Internal Sources

- DPW - House Number and Address Changes: New addresses or address changes were not updated in Equalizer in three of seven (42.9%) of items audited.
- BSE&ED - Building Permits (new construction, alterations, repairs, demolition):
  - Six of fifteen (40.0%) permits, excluding demolition, were either not in Equalizer or the audit history was incorrect;

- The type of permit information in Equalizer was different for four of the fifteen (26.7%) permits, excluding demolition, compared to the information on the permit report;
- There was an average of 2.7 months between the time a permit is issued and the time it was updated in Equalizer; process time ranged from the shortest period of 7 days to the longest period of 213 days or 7.1 months;

### **Property Transactions From External Sources**

- By law, the Wayne County Treasurer must provide monthly reports of all transactions involving property located in the City of Detroit:
  - Nine of sixteen (56.3%) of the sales selected for audit were not reflected in Equalizer;
  - For the remaining seven properties, the process time between the transaction date and the sale date in Equalizer was 550 days or 18.3 months.
- Residential property survey information from Data Driven Detroit (D3): The condition in Equalizer did not match D3's Detroit Residence Parcel Survey (DRPS) for five of 22 (22.7%) of the residential properties visited.
- News Articles highlighting major sales activities: Only one of seven (14.3%) of sales had been actioned in Equalizer; two major sales were greater than 6 months old.

According to the Michigan's State Assessors Board (MSAB), key components of an effective assessment system include accurate property data, complete maps and files, accurate sales data, and effective internal controls.

The MSAB's Assessors Training Manual notes that it is crucial for the assessors to regularly receive information about building permits. Once received, permit information should be screened to determine whether or not a physical inspection will be required upon completion of work. Records should be kept of the receipt of building permit notices, and permit information should also be posted to property records.

The effect of not utilizing internal, external, and other credible sources for discovery information results in inaccuracies of property ownership, property values, assessments, and ultimately, the City's Assessment Roll. Assessments can only be as accurate as the property data on which they are based and understated or overstated values directly affect property tax revenues.

Untimely processing of property previously owned by the City and subsequently sold, results in lost revenues because property is improperly classified as exempt; and new property owners do not receive a property tax bill. Conversely, property purchased by the City should be changed to exempt to avoid overstating taxable values and property tax revenues.

Incorrect calculation of penalties associated with property transfer affidavits result in lost revenues for the City. Further, inconsistent treatment of property owners diminishes the credibility of the Assessments Division and exposes the department to negative publicity and possible legal action.

The Assessments Division requires the actual (hardcopy) deed and/or property tax affidavit before they will process a transfer of property ownership. To accommodate this practice, and for sales and acquisitions of city-owned property, the Planning and Development Department (P&DD) hand delivers hardcopies of deeds and property tax affidavits to the Assessors Office "as often as needed." P&DD is not sure how timely the assessment rolls are updated with this information. They stated that they are willing and have tried to discuss efficiencies in transfer of information to the Assessors; however, the Division is "adamant" about requiring hardcopy deeds. Both, the City's Assessors and a representative from Wayne County Registrar of Deeds, acknowledge that legally, deeds are not required to transfer property ownership. The purpose of the deed is to have an official record, but many investors and other property owners postpone obtaining the deed which slows the transfer process.

The problem is further complicated because, P&DD and the Assessments Division use different computer systems to track properties. P&DD utilizes an electronic file from the Assessments Division to reconcile its property database. However, the Assessments Division does not utilize the electronic file from P&DD to compare to Equalizer.

The Assessments Division and BSE&ED have different computer systems that do not interface with each other. BSE&ED does not provide an electronic version of building permits although a transaction report is available. Instead, the clerical staff in Data Management receives hardcopy building permits and then manually inputs permit data into Equalizer. Division management emphasized that the work of the staff has to be prioritized, and updates to the system based on building permits may not be a high priority. Also, the information must be reviewed, and verified by staff before it can be entered into the system which takes time and utilizes human resources. Division management stated that an average of almost three months to update Equalizer is not acceptable, but they have always received hardcopy building permits.

In addition to time delays due to manually processing hardcopies, the Assessments Division added a new step in the review and update process which increased the time to process permits. In the past, the Division's appraisers processed building permits and performed the initial site visit when required. Now, their technicians perform the site visits and then give the information to the appraisers to process. It was revealed that technicians do not always give adequate or accurate information to enable the appraiser to update Equalizer. In addition, it averages six months for the technicians to get the information to the appraisers. Appraisers feel that the extra step adds confusion to the process because technicians do not know what to look for when they go out on the site visits.

There also is some duplication and overlap of work between BSE&ED's inspectors and the Assessments Division's technicians and appraisers with respect to property information gathered during site visits.

Management stated that previously, the Division received data electronically from Wayne County Registrar of Deeds. They used it to update Equalizer, but it "wrecked havoc on the database, caused too many transfers, and it required too much time to scrub and review the data" before it could be used by the Division. Management further stated that much of the information is not verifiable and they believe a lot of it is incorrect.

Since approximately 2007, the City receives the land bank database from Wayne County which they use to search for sales and transfer information. However, according to management, it is a huge job to maintain an open line of communication because of staffing changes and staff reductions in the state and county offices; accordingly "some things fall through the cracks."

Management acknowledged that the Division has a backlog in data entry, requests for reappraisals, processing permits, processing problem NEZ homestead exemptions, and correcting the tax rolls for foreclosed properties. Several representatives of the Division indicated that getting information from other departments on a timely basis and having to receive and process hardcopy documents (versus electronic or soft communications) are major challenges and contribute to their backlog.

### **Recommendations**

We recommend that the Assessments Division work with the P&DD to receive sales and acquisition information electronically, focusing first on correcting the rolls for revenue generating properties (i.e. - city-owned properties that have been sold and should be reclassified from exempt to taxable properties.) Division management should consider the merits of the following recommendations:

- Investigate eliminating the Division's requirement for hardcopy deeds from P&DD for purchases of city-owned properties;
- Consider implementing a process using affidavits to certify property transactions contained in an electronic file; followed by electronic copies of property transfer affidavits or deeds;
- Use the deed from Wayne County to proceed with the property transfer onto the City's records versus requiring duplicate documentation from P&DD.

We recommend that the Assessments Division expand the implementation and use of Pictometry software to assist with discovery and assessment efforts.

The flow of building permits from BSE&ED should be automated with reporting that allows the Assessments Division to prioritize assessing activities accordingly. In addition, the Division should review its current processes and handling of permits with a

focus on eliminating redundancies between Division staff and increasing effectiveness, such as:

- Short-term, allow appraisers to process permits that involve a higher level of assessing skills such as the initial site visit on new construction projects. Technicians can focus on and process others types of permits such as demolitions or fire damage to structures;
- Long-term, investigate the feasibility of consolidating some of the assessing activities such as site visits and the recording of physical property information performed by both BSE&ED inspectors and Assessments Division appraisers and technicians.

#### **4. The Assessments Division Lacks Sufficient Internal Controls Over Purchases And Does Not Effectively Monitor Contracts**

The Assessments Division lacks sufficient internal controls over its purchases and disbursements:

- There is a lack of segregation of duties because one person has complete control for processing disbursements under \$2,000 from creating the purchase order through processing the receipt of goods or services. The employee is also responsible for the recording and tracking the Division's capital assets.
- A staff member has conflicting responsibilities in Detroit Resource Management Systems (DRMS), and can create requisitions, purchase orders, and enter receipts.

The following weaknesses were found during a review of fifteen disbursements comprised of nine purchase orders and six payments for employee-related expenses:

- Relating to the (total) fifteen invoices supporting the disbursements:
  - There was no indication that any invoice was reviewed and approved prior to submission of requesting payment;
  - None of the invoices were cancelled or marked paid by the Division prior to submitting to Accounts Payable for payment;
  - Invoices were not stamped with the date received in four (26.7%) instances;
- Regarding disbursements for the nine purchase orders selected:
  - The Division could not provide copies of eight (88.9%) of the purchase orders requested;
  - In five (33.3%) of the disbursements selected, the contractor provided services and invoiced the Division prior to the approval of the contract and purchase order;
  - Expenses for repair & maintenance and business envelopes were incorrectly charged to Advertising in two instances;
  - There was no evidence of competitive bidding on a purchase greater than \$400;
  - Office supplies were purchased through imprest cash instead of on the City's Blanket Purchase Order;
  - In three (20.0%) instances, purchases and services were charged to the wrong account:
    - A purchase of contract guard services was incorrectly charged to Operating Supplies – Miscellaneous;
    - Purchases of printing and office supplies were incorrectly charged to Advertising.

- Regarding payments for the six employee-related expenses, the Division used an incorrect mileage rate when calculating the amount of one reimbursement for use of a private car.

The Assessments Division has two major professional services contracts for assessing software and appraisal consulting services, one personal services contract. The following conditions were found:

- Both contracts are sole-sourced and the Division did not document or provide support for selection of the suppliers;
- The Division does not adequately document supplier performance; there is no evidence that the contractors' performance is monitored periodically, there are no activity logs, or records of meetings, etc.

Internal Control is achieved through the organizational structure. Responsibilities should be divided so that no one person will control all phases of a transaction. To reduce the possibility of fraud and error, key duties and responsibilities need to be divided, and procedures should be so coordinated that one employee's work is automatically checked by another who is independently performing separate prescribe duties. According to the Government Accounting Office, sufficient internal control includes separating the responsibilities for authorizing transactions, processing, and recording them, reviewing transactions, and handling any related assets.

The Assessments Division did not comply with Finance Directive 106 Imprest Cash Purchases Limitations. According to the City's policy:

- Imprest cash purchase authorization's must be signed by departmental representative whose name appears on the authorized signature record;
- Imprest cash purchases between \$400 and \$2,000 require competitive bidding (three quotes), should be documented and submitted to the Finance Department on an "Imprest Cash Purchase Authorization" (Form C of D 7-AU (6-96)); the employee making the purchase will contact three vendors by the most convenient method and place the order at the most economical cost;
- Items which are covered under an existing purchase order or City-wide Blanket Contract should not be purchased through imprest cash;
- All documents supporting imprest cash purchases should show the date paid, and be signed by the employee receiving the goods or services.

In addition, Finance Directive 104 stipulates that confirming requisitions (those that are requested after a purchase of goods or services has been made) constitutes a violation of the City's purchasing practices;

As required by the State of Michigan, the City provides a Uniform Chart of Accounts to be used in recording financial transactions. A strict adherence to this classification of accounts will assure responsible local officials and the general public that similar

transactions are recorded in the same manner within all units of City's agencies and departments.

According to the Finance Department Purchasing Division, contract administrator's responsibilities include:

- Assuring that contracts contain performance schedules and that the vendors performance is monitored on a periodic basis;
- Establishing and maintaining a process to routinely and periodically monitor the quality of a vendor's work;
- Keeping an activity log of each contract;
- Keeping soft copies of all correspondences sent to and/or received from the contractor;
- Maintaining accurate records and ensuring that they are always kept up to date from start to finish.

The City requires that contract administrators maintain master contract files which includes the purchase request, list of sources solicited, source selections, and other documents that record the key steps in the procurement process. The file should be complete and include the original contract plus all revisions. In addition, the City's Purchasing Contract Administration Manual states that the most important step in monitoring contracts is to always document contractor performance.

A lack of segregation of key duties and responsibilities among different people increases the risk of error or fraud.

Circumventing the imprest cash and purchasing procedures prevents purchasing goods and services in a manner that obtains the highest value for the lowest possible cost(s). In addition, procurement activities are subject to various forms of abuse resulting from corrupt practices of government employees and/or actions by suppliers of goods and services such as:

- Circumventing competitive bidding requirements;
- Using sole source when competition is available.

Contracts are procurement actions that are, in effect legal actions. A well-documented contract file can speak for itself by supporting actions taken, providing information for reviews and investigations, and should furnish essential facts in the event of litigation or legislative inquiries. Lack of maintaining properly documented procurement files may leave the Division defenseless in the case of litigation and open to audit findings.

All of the Assessments Division purchasing activity was assigned to one staff position, thereby eliminating adequate segregation of duties. Further, there was a lack of understanding of the City's procurement policies relating to:

- The requirement for competitive bidding on purchases less than \$2,000, and those that flow through the Purchasing Division;
- The need to monitor contracts and supplier performance.

### **Recommendations**

We recommend that the Assessments Division:

- Adequately segregate duties over all disbursements, including imprest cash purchases;
- Fully comply with Finance Directives governing purchases, specifically sole-sourced;
- Ensure that purchase order and contract files are maintained and well-documented;
- Implement contract monitoring procedures for professional and personal services contacts.

## **5. The Assessments Division Did Not Provide Or Retain Sufficient Documentation To Support Revenues And Taxes Collected**

The Assessments Division did not provide or retain sufficient documentation to support revenues and taxes collected. The Assessments Division could not provide support for:

- Internet services revenue expected or received;
- Fiscal year 2008-2009, the Final Delinquent Property Tax Collection Report showed taxes collected totaling \$1,513,002, however, the Division could not provide support for \$1,113,329 (74%) of the amount reported;
- Fiscal year 2009-2010, the Final Delinquent Property Tax Collection Report showed taxes collected totaling \$496,958; however, the Division could not provide support for \$371,843 (75%) of the amount reported.

The City Records Management Handbook 1998 (Finance Directive 99), states that daily income reports and receipts accounting records be retained until the next audit.

Management makes decisions based on the reports it receives. Therefore, reports should be accurate, timely, and meaningful; supporting documentation adds clarity and validity to the information contained in the reports.

The Assessments Division's failure to provide or retain sufficient documentation to support revenues and taxes collected increases the risk that those revenues are not accurately reported in the City's financial ledger. Furthermore, the risk that errors or fraud is not detected increases when financial records are not maintained and available for review. The failure to perform revenue verification may result in lost revenues to the City.

Representatives from the Assessment Division reported that even though they have administrative rights to the internet system, they were not sure how to run monitoring reports. Also, the Division did not know the terms of the revenue-sharing agreement, including the percentage of revenue due to the City or the rate per "customer hit, even though the percentage and rate are included in the contract.

According to a representative of the Division, reports and all supporting documentation on delinquent taxes collected were given to management and could not be re-created. Management stated that the report on what was collected was not as important as the status and amounts associated with delinquent taxes.

### **Recommendations**

We recommend that the Assessments Division:

- Create an effective system to monitor internet services revenues; reports should identify the appropriate amount of expected revenues and reconcile amounts to actual revenues received;
- Comply with City directives regarding retention of income reports, receipts, and accounting records until audited.

## **6. Assessments Division Does Not Adequately Safeguard Public Property And Other Original Records**

The Assessments Division does not adequately safeguard public property, and Plat Books, other maps and indexes are not safe from environmental risks such as fire damage, deterioration due to exposure to air, water, and other natural or man-made disasters.

### **Plat Books And Indexes**

Plat Books are essentially maps, drawn to scale, showing the divisions of a piece of land. The City's Plat Books are large material-bound books which contain the first and original hand drawn maps of the City. The Plat Books are kept behind the counter in Room 804, Coleman A. Young Municipal Center (CAYMC). With the assistance and presence of an Assessments Division staff person, the public can view the records.

When land is being sold, bought, or transferred, Division staff often refers to the Plat Books to verify ownership. The Plat Books are:

- Irreplaceable, as they are the original, hand-drawn and handwritten records going back 200 years; they document ownership and transfers of ownership of the land;
- The books are not on microfiche nor have they been converted to electronic document images. Although, the State of Michigan Archives Department has copies of the pages, their records do not include markings and other drawings which reflect subsequent transfers of property ownership.

Plat Book pages are very old, tear easily, and are brittle to the touch. The pages are deteriorating and drawings and markings are fading. Pictures on page 33 of this report show the current condition of these records.

### **Property Field Cards**

Property Field Cards are maintained in Room 607 in the CAYMC. These records contain original, historic property information such as the legal description (ward number, parcel ID), land values, and the physical structural details of houses and buildings in the City of Detroit. Physical structural details form the basis for calculating the assessed value of any property. The property record cards and the information contained therein are irreplaceable.

The Assessments Division does not adequately protect property record cards:

- Property cards are stored in non-fireproof steel case cabinets;
- Room 607 does not have an active or passive fire protection system (i.e. there are no fire sprinklers, and the walls and ceiling are not insulated);
- The Division does not have a systematic check-out/check-in system for removal and use of cards by internal staff.

Property record cards are available for public viewing and photocopies can be purchased at a nominal cost. However, due to broken copier equipment in the property records room, the customer must leave their identification with staff and take the card to Room 804 for photocopies. During this period, property record cards are subject to unauthorized alterations (additions or deletions of information) by the customer.

### **Board Of Review Hearings Minutes**

Board of Review (BOR) hearings are conducted in March, July, and December (MBOR, JBOR, and DBOR respectively) each year. Minutes of the MBOR are retained on audio tapes in the Assessments Division Board Room (Room 824, CAYMC); hardcopies of the minutes of the JBOR and DBOR are given to the City Clerk for retention.

The Assessments Division does not adequately protect the MBOR audio tapes as some are kept in cardboard storage boxes, and others are stored in a steel case filing cabinet. Tapes of the current year MBOR are kept in an office for easy access. The tapes are not secured or adequately protected from fire or water damage.

The City faces a potential risk of being non-compliant with the State of Michigan's retention policies which require maintaining Plat Books, maps and indexes, permanent parcel number assignment files, and copies of the Board of Review minutes - permanently. In addition, the loss of the Plat Books would be devastating to the City and would significantly impact the Assessments Division's ability to establish and verify ownership.

Property Field Cards are irreplaceable, and the loss or destruction of these records would be devastating to the City. This is because specific structural details are contained only on the cards; this information was not entered into the first electronic assessing system - Integrated Physical Data System (IPDS). And subsequently, only the total assessed value of a property was transferred to the current assessing system - Equalizer. Without the original detailed physical structural information, the City, its assessors and appraisers may be unable to successfully defend the assessed value of homes if litigated. If the records were destroyed, the City would be vulnerable to appeals and lawsuits contesting assessed property values.

Loss or destruction of the audio tapes would prevent the Assessments Division from fully complying with the City's Charter and taxpayer's rights entitling them to a review of decisions made by the Board of Review relative to their property and property tax laws.

Inefficient operations have resulted from the poor internal controls over the property record card records. The Division does not have a system to check property record cards in or out of the record rooms. Appraisers waste time because they don't know who has the record and have to ask each appraiser if they have the needed file.

Assessments Division management stated that they have pursued a document imaging solution to scan these and other records. However, the City's Information Technology Services Department did not approve the project because it had to be a "city-wide"

document imaging effort and not just for the Assessments Division. Management also stated that previously they had money in the budget for this expenditure, but other items took precedent over this expense.

A representative of the Division revealed that a previous project was started that would have corrected the inefficiency with managing property record cards, but it was a short-lived effort.

A representative of the Assessments Division felt that it “might be okay” if the Board of Review (BOR) hearings audio tapes were accidentally destroyed because the appraisers are present in the hearings and all actions are updated in Equalizer. In addition, taxpayers receive a letter, generated from Equalizer from the BOR, detailing the action from the hearing. The employee felt that the reports from Equalizer captured all transactions.



## **Recommendations**

With respect to the Plat Books, we recommend the Assessments Division investigate alternative solutions to preserve the books such as declaring the books as historical documents. The Division should contact the local historical societies (i.e. Detroit Institute of Arts (DIA), Detroit Historical Museum, etc.) to determine if this is a viable solution.

We recommend that, the Assessments Division investigate ways of protecting the property record cards from fire or water damage. This may include active or passive fire protection systems such as:

- Fireproofing ceiling beams with sprayed-on fireproof material;
- Pre-action sprinkler systems, which are specialized for use in locations where accidental activation is undesired, such as in museums with rare art works, manuscripts, or books; and Data Centers, for protection of computer equipment from accidental water discharge.

The Division should continue pursuing document imaging technology to increase efficiency and enhance its document retention practices.

With respect to viewing property record cards the Division should:

- Implement an control system which tracks the movement of records within the Division (i.e. – a simple check-in/out file card system);
- Ensure that the staff in the Property Records Room (Room 607) have access to a copier to provide the public with efficient photocopying services;
- Work with the Finance Department to develop an appropriate cash management policy for receiving payments services.

We recommend the Assessments Division continue with the current practice of updating Equalizer with detailed structural information on a go-forward basis. In addition, the Division should increase its efforts to convert information contained in manual records to Equalizer through well-defined, select, and targeted conversion projects.

With respect to records of the Board of Review hearings and appeals, the Division should consider the following options:

- In all instances provide a permanent copy of the proceedings to the City Clerk;
- Purchase fireproof containers for the audio tapes;
- Record the proceedings on more secure media such as CD's or DVD's.

## **7. The Assessments Division Does Not Fully Comply With Record Retention Policies, Procedures, City And State Laws**

The Assessments Division does not comply with City directives, policies and procedures, and State Laws regarding retention and archiving of specific property assessment information and some departmental information.

The Assessments Division is responsible for maintaining records relating to real and personal property located in the City of Detroit. The following is a sample of documents required to be retained by the Division:

- Assessment Rolls – Regular, Special
- Property Transfer Affidavits
- Sheriff Sales Documents
- Tax Appeals included Assessors Review and Michigan Tax Tribunals
- Principal Residence Exemptions (Note: PRE's include property owner's social security number)
- Board of Review Documents
- Customer Referral Forms

### **Hardcopy Records**

The Assessments Division utilizes the on-site, City-wide storage area located in the basement of the Coleman A. Young Municipal Center (CAYMC), Detroit, Michigan, to store documents relating to assessment activities. A review of the Division's record retention practices revealed:

- Some records were in an unsecured location; Division staff persons were not aware of these assessment rolls and other real property records;
- Many of the 27 boxes (78.3%) included in the sample were not adequately marked for proper retention including:
  - No discard date was marked on seven (30.4%) of the boxes;
  - The discard date was incorrectly calculated on eleven (47.8%) of the boxes;
  - Boxes were marked, but the discard date did not meet the minimum retention period for nine (39.1%) of the dates marked;
  - Based on OAG recalculation of the discard date, there were five (21.7%) boxes that were past the minimum retention period and should be disposed.

### **Electronic Records**

The Assessments Division utilizes a third-party software system, known as "Equalizer", to electronically store information for the City's real and personal properties. The assessing software is supported by its developers and other external suppliers located

in Bath, Michigan. According to the terms of the contract and in the event that the database cannot be accessed or repaired locally, the Division's disaster recovery plan is to:

- Create a copy of the Equalizer database(s) and system components on an external hard drive and physically drive it to Bath, Michigan;
- Have the software vendor restore the database, compare to the previous version and produce variance reports;
- Disseminate the resulting variance reports to the Division's staff to reconcile and check for missing data or activity.

Ongoing recovery procedures outlined in the contract require the software vendor to:

- Perform nightly backups of the data and deliver weekly reports relative to the success of the backup process;
- Monitor the backup process and correct errors required to ensure proper data maintenance;
- Perform test restorations of the data not less than quarterly, and report the results to the Assessments Division in writing.

However, based on interviews with Division personnel, a review of system documentation, and limited testing, we found the following internal control weaknesses:

- The Division does not have an overall comprehensive disaster recovery plan that includes written instructions or a back-up plan for Equalizer. A representative from the Division stated that there are written instructions on how to handle emergency situations, but contingency plans have not been developed for partial or complete failure of systems
- Audit history in Equalizer is not accurate, is not complete, and is missing transactions history. According to Division representatives, there were four occasions when the database "went down" and required off-site recovery; it is a known fact that the vendor cannot recover 100% of the data. They also stated that there are limitations in Equalizer's capacity, as it does not adequately handle drawings and photographs. A problem of the system losing data, specifically drawings, was reported to management in 2007 and 2008. The solution was to advise the staff not to put pictures and drawings in Equalizer. Instead, the Division purchased standalone software to handle drawings and sketches of structures and property. Since this software does not store the drawings electronically, the appraisers and technicians have to make hardcopies of the drawings and file them with the manual property record cards;
  - In addition, the Office of the Auditor's General's audit tests revealed that some sales transactions were missing from the audit history; in one case a sales transaction was added and then subsequently deleted from the database almost a year later and without a transaction history. In another

instance, Equalizer improperly classified an inquiry transaction as an update transaction, resulting in an inaccurate audit history.

**Payroll Records (Employee Time Sheets)**

The Assessments Division’s personnel costs are over 80% of the Division’s budgeted and actual expenditures. Some section managers retain the manual time sheets which track an employee’s hours worked, and the on-site or off-site locations. However, for each fiscal year 2008-2009 and 2009-2010, the Division did not retain payroll documentation for seven of the nine (77.8%) of the staff selected for audit review.

The City Records Management Handbook 1998 (Finance Directive 99), has the following retention requirements:

Item	Retention Period
Assessment Rolls - Real and Personal Property	20 years
Property Transfer Affidavits	Current plus 3 years
Value Records	20 years
Appraisals of City Property	Permanent basis
time cards	Until the next audit

The Government Finance Officers Association (GFOA) recommends that every government formally establish written policies and procedures for minimizing disruptions resulting from failures of computers or other advance technologies following a disaster. GFOA best practice states that at a minimum the policies should:

- Provide detailed instructions for restoring disk files;
- Annually test its computer disaster recovery plan;
- Satisfy it self concerning the adequacy of disaster recovery plans for outsourced services.

According to the Government Accounting Office (GAO), application controls are designed to help ensure completeness, accuracy, authorization, and validity of all transactions during application processing. The control should be installed at an application’s interfaces with other systems to ensure that all inputs are received and are valid and outputs are correct and properly distributed. The GAO noted that because information technology changes rapidly, controls must evolve to remain effective. And, as more powerful computers place more responsibility for data processing in the hands of the end users, needed controls should be identified and implemented.

Finance Directives provide guidance to all City departments regarding the appropriate or required action to be taken regarding record retention. The Division’s failure to periodically review and revise procedures to comply with higher-level policies significantly weakens internal controls and increases the possibility of errors and non-compliance.

Accurate and complete audit histories are vitally important to the Assessments Division's ability to respond accurately to internal and external customer inquiries. An audit trail or history results from typical activities such as transactions or communications by individual people, systems, accounts, or other entities. They provide a chronological sequence of audit records, each of which contains evidence directly pertaining to and resulting from the execution of a business process or system function. Loss of data may adversely affect the Division's analysis and reporting capabilities. As an example, annual sales studies which are used to determine assessment ratios and ultimately, assessed values would be adversely affected if data relating to sales is missing or not accurate.

Based on the Office of the Auditor General's (OAG) assessment of the Division's organizational structure, job assignments, and overall control environment, the lack of non-compliant retention practices is due to:

- Lack of adequate training of a new employee assigned this responsibility;
- Disproportionate amount of responsibilities assigned to the same employee.

The City's Information and Technology Services Department (ITSD) is responsible for maintaining computer hardware; however, each activity within the City is responsible for maintaining their own resident software applications.

Regarding the lack of inadequate data recovery, audit history, and improper transactions, representatives of the Assessments Division stated that:

- It is not a fool-proof process and the vendor is never able to recover 100% of the activity. Typically between 94%-97% of the activity history is recaptured because the vendor has to try and "piecemeal" the relational databases back together. This results in losing some of the audit history;
- The City's computers and servers are not capable of handling the large amount of data and that it needs to be updated;
- The Equalizer assessing system does not have enough space so it "losses" data;
- The system is programmed such that if a sale is deleted, then the sales record or page is deleted from the system;
- By design, the newer version of Equalizer is doing a better job of tracking transactions and some activity may be mislabeled.

Regarding manual time sheets, logs are retained for a short period after the close of a fiscal year; they are retained just long enough to insure that questions regarding an employee's annual income, or pay information in the computerized payroll system, or any other W-2 related information can be properly and satisfactorily answered. After this period, Division management felt that retaining manual time sheets was not required.

## **Recommendations**

We recommend the Division develop standardized instructions on calculating discard dates for records in storage. All boxes should be clearly marked with the discard date and, where there are groups of similar records, each box should be labeled accordingly, for example, 2009 PTA, 1 of 2 and 2009 PTA 2 of 2. We also recommend that the Division establish a routine schedule that insures timely disposition of records. This process will help increase their storage capacity for the retention of other permanent records.

We recommend the Assessments Division work with the Finance Department Treasury Division, and ITSD to develop a comprehensive disaster recovery plan for the assessing and taxing software. The plan should include recovery of data, transactions, and audit histories, and address any limitations in the system's data retention and storage capacities

The Assessments Division should monitor its external service supplier's compliance with all elements of the contract which includes nightly backup of data, weekly reporting to the Division, monitoring the backup process, correcting errors to ensure proper data maintenance and periodic testing of test restorations.

We recommend the Division comply with City directives regarding retention of payroll records, specifically timesheets.

## **8. Improper Accounting for Revenue Contracts**

The Assessments Division's policy for accounting for internet services revenues is improper and does not follow generally accepted accounting principles.

The Assessments Division receives sales revenue from property searches via a "pay-per-hit" online internet service. Their practice is to account for this revenue as a credit against contract services - an expense account, instead of recording the cash received as revenues.

Adequate and correct policies and procedures must be adopted to ensure that all cash receipts collected are accounted for properly and on a timely basis. All cash receipts should be posted to the proper bank account, fund, and revenue account.

All state and local government organizations issue licenses and permits that allow individual and corporate holders to perform services, to use public facilities, or to undertake certain activities; these resources are recognized as revenues when cash is received in subsidiary records that detail the various items.

Internet services revenues charged against contract services results in both revenues and expenses being understated in the City's financial ledgers.

The Assessments Division management stated that "netting" revenue against amounts owed to the supplier is "the most feasible solution for the Division at this time because:

- The City is slow in paying our bills;
- This practice eliminates issues with tracking, receiving, and handling checks;
- It is the safest way now since the Division has reduced staff.

### **Recommendation**

We recommend that the Assessments Division discontinue the practice of crediting internet services revenues against contract services (an expense account) and properly credit cash receipts to the appropriate revenue account.

## **9. Lack of Sufficient Internal Controls Over Capital Assets**

There are significant weaknesses in the internal controls surrounding the accounting for capital assets acquired by the Assessments Division:

- Assets are not tagged when received or within three days of receipt;
- The Division does not reconcile their physical inventory listings to the Oracle Capital Asset System (CAS); assets are neither added, disposed of or retired from CAS:
  - No assets have been retired or physically disposed in CAS even though there are several unused, damaged, and obsolete equipment physically in the Division;
  - Seven assets randomly selected from the CAS Inventory Report could not be found:
    - The assets included five computers with monitors, one lasher printer and one automobile;
    - The Division still has a total of three vehicles (zero dollars net book value) listed in CAS. However, according to management, the cars were physically returned to the City approximately five years ago.
  - Conversely, six assets randomly selected from a walk-through of the Division, were not in the CAS Inventory Report, including four laser printers and two computers with monitors;
  - In addition, twelve new personal computers and three laser jet printers were visibly observed but were not recorded in CAS.
- In September 2009, the Division purchased third-party software valued at \$1,000 and \$1,500 for its mapping and geographic system. The purchases were incorrectly accounted for as capital outlays instead of expense; the value of the software is lower than the \$5,000 capitalization threshold and relates to a software application that was previously placed in service.

The City's Capital Asset Policy Guide and Procedures and Reporting Requirements (Revised Finance Directive 95), establishes the following polices for capital assets:

- City-owned taggable capital and controlled assets shall be affixed with the City of Detroit property tags within three business days of physical receipt of the assets by the City Department;
- All capital assets shall be recorded in the City's Capital Asset System (CAS) and reported to the Finance Capital Asset Section (FCAS) within three business days from the physical receipt of the assets by the recipient department;
- All City Departments must report their capital asset acquisitions on the capital asset acquisition forms to the FCAS immediately after recording the assets in CAS;

- To ensure the accuracy of the City's capital asset records in the Oracle Capital Asset System and the Detroit Resource Management System (DRMS), City Departments must regularly update their capital asset records and notify the FCAS of any changes made, including intradepartmental location changes, cost adjustments, transfers, retirements, and disposals. The Department should maintain an asset paper trail, which should also be changed to reflect the new location;
- Computer workstations and laptops should be tagged and tracked even if their total cost is below \$1,000.00;
- City Departments shall perform an inventory update of their capital assets at least annually before the end of each fiscal year and reconcile to the Oracle capital asset Inventory report;
- Cost accumulations should cease when substantial testing is complete and the software is ready for its intended purpose or rendered in service. In addition, the capitalization threshold for internally developed software is \$5,000.

Failure to follow the City's Capital Asset Policy Guide and Procedures inhibits the City's ability to maintain reliable records and documentation of their capital assets in compliance with the proper accounting procedures. The current guide incorporates new changes associated with the implementation of the city-wide, on-line, and integrated Capital asset Management System and complies with Governmental Accounting Standards (GASB) Statement No. 34.

Failing to tag capital assets makes it impossible to provide for protective custody and to fix responsibility for property use and custody of such assets. It also impedes complete and proper disclosure of capital assets on the City's Comprehensive Annual Financial Report (CAFR).

Assessments Division staff stated that they did not have a copy of the current Capital Asset Policy Guide and they were not aware of some of the City's policies and procedures regarding control of capital assets. Weaknesses in internal controls surrounding capital assets can also be attributed to:

- Confusion over responsibilities for updating the capital asset system for the divisions within the Finance Department; the Division felt that updates were centralized in the Accounts Division. They thought that the Accounts Division not only updated the system for additions and deletions, but also reconciled the capital asset physical inventory to the CAS system;
- Lack of training on updating the CAS system; no guidance from the Finance Department on reconciling physical inventories to CAS reports or DRMS.

There was only one person in the Assessments Division assigned to conduct its annual capital asset physical inventory. The process was complicated by employees who transferred out of the Division or moved and according to a representative of the

Division, took their equipment with them. Also, there was movement within the Division from room to room and specific locations within a room were not notated in CAS.

The Division practiced retaining old, obsolete, unused, and broken computers and printers for use as spare parts to repair other equipment.

### **Recommendations**

We recommend that the Assessments Division:

- Develop a method to accurately track and specify where assets are located (e.g. – add names, identify exact locations within a room, etc.);
- Review CAS Inventory reports on a regular basis and conduct periodic reconciliations to physical inventory;
- Conduct a thorough physical inventory utilizing the guidelines in the Capital Asset Policy Guide such as:
  - Utilizing inventory teams of two persons;
  - Identifying and segregating damaged, obsolete, and scrapped assets before counting begins;
  - During the inventory process, tag and process all taggable assets that are found that do not have a City of Detroit Property Tag;
  - Reconcile the signed, approved, inventory sheets to the CAS Inventory Report;
  - Document the results of the capital asset inventory on Acquisition, and/or Disposal and Transfer Forms and then enter the changes into CAS;
  - Maintain all inventory forms and inventory reports in the Department for audit purposes;
  - Request procedural and human resource assistance from the Finance Department to expedite completion of this project.

## **10. Non-compliance with Year-end Closing Procedures**

The Assessments Division did not comply completely with year-end closing procedures for the fiscal years ended June 30, 2009 and June 30 2010:

- The Division did not submit any of the required exhibits for fiscal year July 1, 2008 to June 30, 2009;
- For fiscal year July 1, 2009 to June 30, 2010, the Division submitted 22 of 25 (88.0%) of the required exhibits on or before the due date.

For fiscal years 2008-2009 and 2009-2010, the Finance Department year end closing instructions specify forms required from the Division including due dates.

Failure to submit all of the year-end closing exhibits as required increases the risk that the Finance Department will not complete the City's Comprehensive Annual Financial Report (CAFR) by its scheduled due date or that information presented in the CAFR may be incorrect. When year-end financial exhibits are not submitted to the Finance Department by the required due dates, its ability to close the City's books in a timely manner is affected. In addition, when year-end exhibits are not dated and approved by management, it makes it impossible to know when the exhibits were prepared, and if the appropriate managers were aware of what was reported to the Finance Department.

The person responsible for the fiscal year 2008-2009 year end forms no longer works in the Assessments Division. The Division felt that they complied with fiscal year 2009-2010 year-end close directives. The Finance Department, however, could not locate the missing forms for that fiscal year.

### **Recommendation**

We recommend that the Assessments Division comply with the Finance Department's year-end closing schedules and due dates by submitting all required exhibits.

## AUDIT CONCERNS AND ISSUES

The four key principles underlying performance are planning, organizing, leading, and controlling. We noted the following concerns and issues relative to Assessments Division underlying managing principles. A list of best practices pertaining to managing principles is provided on page 48 of this report.

### Planning

The Assessments Division lacks effective strategic and tactical planning to get them from “where they are” to “where they need to be”:

- According to the Assessors and staff, a major challenge for the Division is the lack of adequate resources:
  - Twelve of sixteen (75%) of the employees interviewed ranked “the lack of adequate staffing” as the number one challenge facing the Division. Management indicated that the staff faces “burn-out” because of the excessive overtime, and the Division has issues with a proper work-life balance for its employees;
  - The City of Detroit has approximately 387,000 parcels; and the average number of parcels per staff member is 6,911 parcels, almost double the recommended maximum per parcel/per staff member ratio;  
  
See **Appendix B** for an Analysis of the Assessments Division Human Resources.
  - The Division lacks adequate succession plans to ensure that qualified staff are in place and trained to fill key positions, including members of the Board of Assessors;
  - There is a lack of knowledge-transfer when staff retires or leaves the Division.
- Expenditures are not adequately reviewed or monitored. As a result, for fiscal year 2009-2010, actual expenditures were \$1.530 million (22%) under budget, and by \$967 thousand (14%) for fiscal year 2010-2011;
- Current metrics are not useful in reporting Division activities. For example, Data Management Administrative Services manually tracks sixteen activity items, of which only nine (56.3%) could be traced directly to the metrics reported in the annual budget. The remaining seven items (43.7%) though tracked, were not reported in the budget;
- There is no mechanism to verify the accuracy of reported statistics. For example, the following metrics were reported in the fiscal year 2010-2011 Mayor’s Proposed Budget. Averages are based on reported actual activity levels for fiscal years ended 2008, 2009, and 2010, and projected levels for fiscal year ended 2011:

- The Division reported processing an average of 28,250 building permits. However, as of March 2011, the Division had not retrieved hardcopy permits from BSE&ED since July 2010;
- The Division reported processing an average of 1,400 audits of personal property statements. However, according to a representative of the Division, they are only averaging 30 to 45 per year based on the last two years audits of personal property statements,
- Special (tactical) projects are poorly planned and executed:
  - In June 2011, the Division responded to a request from Michigan's State Tax Commission (STC), and targeted the Industrial Properties conversion project to be completed by "year end 2011". However, as of January 2012, the project is not completed even though at one point, most all of the appraisers and appraisal technicians were redirected to work on the project. In addition, the Division hired outside consultants to assist with the project but has not met the project deadline;
  - Division representatives view some projects as being immaterial and not adding value to the organization, other projects are short-lived in favor of newer projects.

Universal aspects of planning and key management activities include setting meaningful objectives, strategies, principles, policies, defining detailed procedures, rules, and standards (norms) for which activity can be measured against. Budgets are essential to the functioning of an activity within an enterprise and should be based on realistic premises. Significant variances between budgeted and actual amounts should be explained and steps taken to correct the causes of excessive variances.

### **Organizing**

The Assessments Division is organized under the traditional or classical approach and which emphasizes an autocracy, the concepts of authority, responsibility, strict hierarchies, and prescribed spans of control. The Division has a relatively "flat" structure with several groupings reporting to the Board of Assessors. The staff is "departmentalized" into distinct groups based on:

- Property classes: residential, commercial, industrial, personal property;
- Job classifications: Appraisers, specialists, technicians, clerical.

Some assessing activities are not well integrated across departments. According to staff members, there is duplication of work between appraisal technicians and appraisers when site visits are performed on the same property.

The most egregious example of this is handling of Michigan Tax Tribunal (MTT) appeals. Various employees across sections are involved in processing these appeals, yet only the appeals coordinator has access to and utilizes the tracking system developed for these appeals. "MTT Tracker" is an in-house developed Access-based tracking

system that is only used by the main person assigned this responsibility. Meanwhile, appraisers and administrative personnel involved with an appeal maintain their own separate tracking system, usually an excel spreadsheet or word document.

Organization also deals with authority, accountability, and delegation. We noted that some employees have managerial titles but do not have the responsibility, authority, or accountability for the position. In other situations, responsibility is assigned but accountability is not required:

- Some supervisors and managers do not actually supervise the employees that are assigned to them; they do not have authority over the staff assigned to them and supervisory duties have not been delegated to some supervisors;
- The immediate supervisor is in “Workbrain only” and does not functionally help the employee; employees feel that they are “on their own”;
- In some cases, performance reviews are handled by upper level management (Board of Assessors or higher level managers) rather than the immediate supervisor or manager.

When responsibility is not clear and authority is not adequate, employees are limited in their ability to carry out their responsibilities, or exercise authority (since it was not given to them). Line managers and supervisors may not be able to fulfill their stewardship of the resources entrusted to them and carry out their responsibilities.

### **Leading**

Effective communication is widely regarded as one of the essential keys to a successful organization. Effective communications should occur in a broad sense with information flowing down, across, and up through the organization. Based on interviews with staff and our observation, upward and downward communication in the Assessments Division is weak and ineffective as seven of sixteen (43.8%) employees interviewed stated that they only receive (or give) help when negative or adverse conditions exist.

Comments relating to communication and leading made by Division staff include:

- Low morale; management does not care about our opinions;
- There is no clear supervision; there is a lack of leadership involvement;
- We have not had an overall staff meeting in over two years; we do not have staff meetings to discuss things and review the law;

Standards of evaluating leadership are:

- Leaders seek and use their people ideas;
- Leaders who asks for employee participation; employees are involved in the decision-making process; the decision-making process motivates, rather than disaffects, employees;
- Subordinates who are free to talk to their superiors about their jobs;

- Subordinates have an open line to report their problems and accomplishments upward;
- Goals that are established by group action, not by command; the goals established does not result in employee resistance;
- Corrective action is immediate and addresses the inappropriate action or behavior.

### **Controlling**

Controlling is the process of making certain that directed action is carried out as planned to achieve some desired objective or goal. Performance reviews is one key qualitative control measure. The Assessments Division does not conduct performance reviews on a consistent basis and quality control standards are lacking:

- Performance standards are not adequate are based loosely on how the department has always run and documentation is a work in progress;
- Performance evaluations are primarily an informal process. Performance review periods ranged from none to, no review over multiple years, to annual reviews;
- The Assessments Division does not have a Conflict of Interest Policy;
- The Division does not have an Ethics Policy. As a result, unethical behavior has occurred (fraud) and has continued in spite of Division personnel being aware of the situation. One employee commented that they didn't "want to be a whistleblower because it may result in unemployment."

Control can be considered as a closed system consisting of a series of six elements:

Step 1. Setting performance standards to provide a means of measuring and comparing events and establishing acceptable performance and permissible variations; standards translate goals into specific measurable outputs or outcomes.

Step 2. Measuring performance or progress to accumulate information on existing conditions.

Step 3. Analyzing performance or progress and comparing it with standards to determine variances.

Step 4. Evaluation deviations and bringing them to appropriate attention to determine causes and effective corrective action.

Step 5. Correcting deviations from standards to see that objectives and goals will be met.

Step 6. Following up corrective action to determine its effectiveness.

## Principles of Management

A list of management principles pertaining to planning, organizing, leading, and controlling is provided below:

<b>Principles for Effective Planning</b>	
1.	Establish meaningful goals and objectives; develop appropriate measurements and targets linked directly to achieving those goals and objectives
2.	Ensure that plans anticipate problems and trouble that could arise; monitoring and reappraisals must be constant
3.	Plans are based on accurate data and reasonable human resource planning
4.	Plans should result in uniform action among interdependent organizations
5.	Include those affected to participate in planning the change or procedure
6.	Devise follow-up systems to determine whether plans are carried out as intended
7.	Monitor budgeted-to-actual variances on an ongoing basis and take steps to explain excessive variances
<b>Principles for Effective Organizing</b>	
8.	Consider implementing other types of management approaches that mesh the needs of both the people and the organization. The behavioral approach, while a little less structured is concerned with the limits, strengths, and interests of the people available
9.	Review organizational groupings to ensure they are balanced to meet departmental/section goals and facilitate meeting organization objectives
10.	Ensure departmentalization provides for adequate crosschecks of important activities to prevent errors and improprieties
11.	Look for activities that are duplicated across departments and develop a plan to integrate the tasks; investigate using all available functionality in current software/database and improve centralized processes (i.e. tracking)
12.	Take steps to ensure that responsibility, authority, and accountability are aligned and maintained at all levels of management
<b>Principles for Effective Leading</b>	
13.	Open the lines of communication through regular staff meetings and modern problem-solving techniques such as brainstorming, mind-mapping, etc
14.	Build a participative environment that allows for more employee involvement in the planning and decision-making processes
<b>Principles for Effective Controlling</b>	
15.	Establish an effective personnel control system that is linked to the primary objectives and plans of the activity; the system of control should trigger feedback in a timely enough manner to warn managers of impending difficulties and enable them to appraise final results
16.	Comply with human resource best practices requiring consistent, periodic employee performance evaluations; make provision for actual results to be evaluated against planned expectations or objectives
17.	Use customer surveys to capture relevant information about process performance
18.	Establish and adopt a Code of Conduct/Ethics Policy unique to the organization's activities

## Overview of Assessments Division Operations

According to the Michigan's State Assessors Board (MSAB), an effective assessment system is comprised of ten key components:

1. Adequate budget, competent staff, and effective internal controls;
2. Complete maps and files;
3. Accurate property data;
4. Accurate sales data;
5. Effective cost approach;
6. Effective sales comparison approach;
7. Effective income approach;
8. Modern data processing and storage;
9. Open public relations;
10. Periodic assessment-ratio studies.

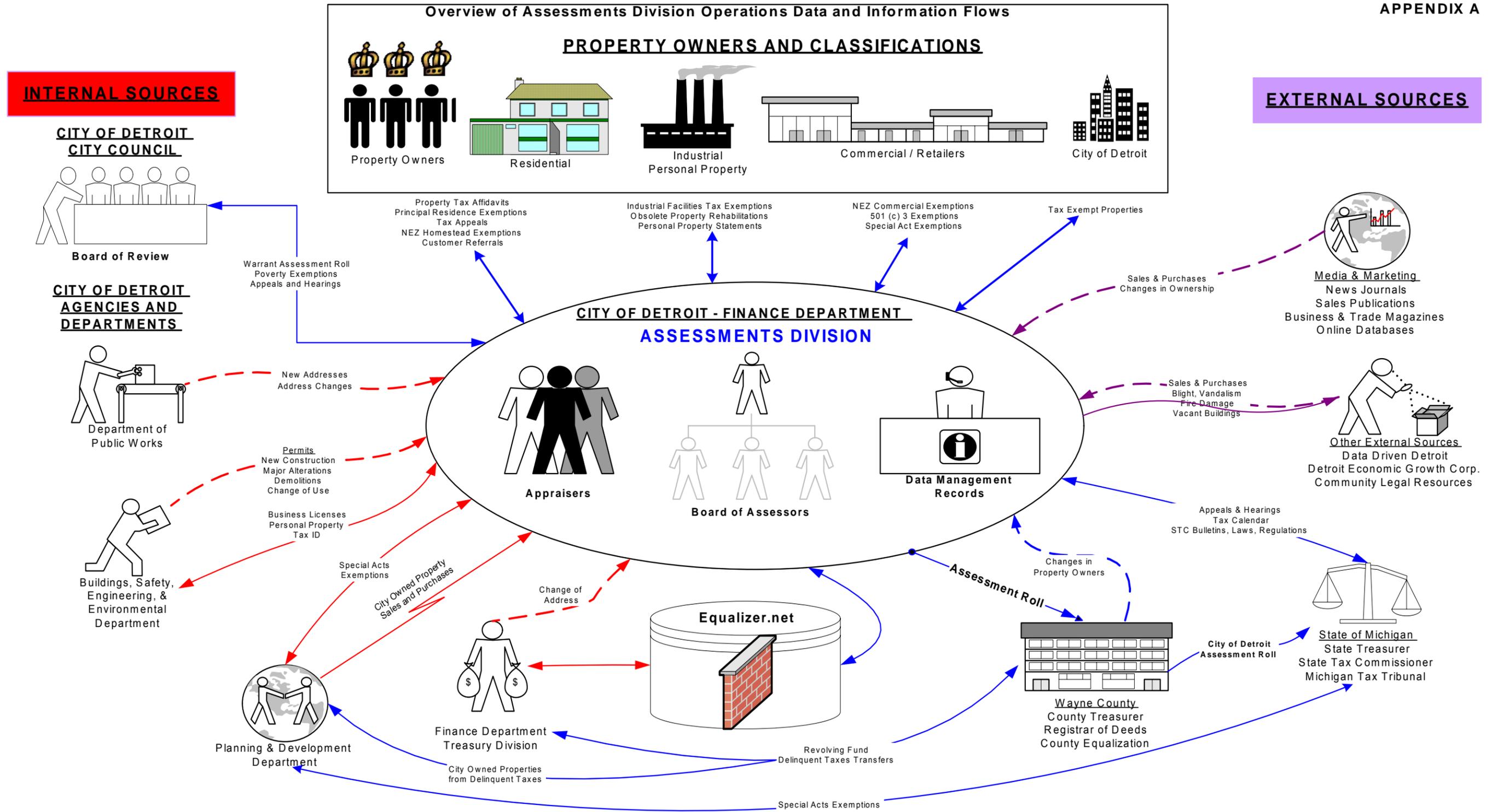
The Assessments Division's major operations include discovering, identifying, recording, and valuing property. Discovery information comes from both internal and external sources. Primary sources of discovery information are:

- Buildings, Safety Engineering and Environmental Department (BSE&ED) – building permits (new construction, additions, and demolitions), special levies for sidewalks;
- Department of Public Works (DPW) – information to add or remove special assessments, evictions and trash collections, bulk day trash violations, new addresses;
- Wayne County Registrar of Deeds – new deeds, sales information, foreclosures;
- Planning and Development – acquisitions and sales of City-owned property;
- Finance Department Treasury Division – information regarding collections;
- Other sources including sales verification, customer complaints, correspondence, canvassing, media discovery, returned mail, Equalizer reports, and review of City Council agenda.

The following picture is a graphic overview of the Assessments Division's operation inputs and outputs. Broken lines represent "broken" data or information flows revealed during the Office of Auditor General's (OAG) performance audit of the Division's operations.

Overview Of Assessments Division Operations Data And Information Flows

DRAFT  
APPENDIX A



Legend:   
 - - - - - Broken data or information flow.   
 - - - - - Data or information flow intact.   
 ■ Internal ■ External ■ Other

**Analysis of the Assessments Division Human Resources**

The Michigan’s State Assessors Board (MSAB) recommends as a general rule, “that an effective assessment system requires one full-time employee, including clericals per 1,500 to 3,500 parcels”. In fiscal year 2010-2011, the Assessments Division had a staff of 52 employees (including one contractor) versus the approved budget of 56 positions. The following vacancies exist in the division:

- (1) Assessor
- (1) Manager 1
- (1) Executive Secretary II
- (1) Appraiser II

The City of Detroit has approximately 387,000 parcels; and the average number of parcels per staff member is 6,911 parcels, almost double the recommended maximum per parcel/per staff member amount:

STAFF	CITY OF DETROIT PROPERTY		ASSESSMENT DIVISION		
	NUMBER OF PARCELS	TAXABLE VALUE	STAFF	NUMBER OF PARCELS PER STAFF MEMBER	TAXABLE VALUE PER PARCEL
<b>Appraisers</b>					
Residential	313,428	\$ 5,660,265,286	7	44,775	\$ 18,059
Commercial	22,628	\$ 2,116,188,625	3	7,543	\$ 93,521
Neighbor Enterprise Zone (NEZ)/ New Rehabilitation	8,246	\$ 413,441,210	1	8,246	\$ 50,138
Industrial	9,814	\$ 645,372,218	2	4,907	\$ 65,760
Personal Property	14,607	\$ 1,609,441,607	6.5	2,247	\$ 110,183
Downtown Development Authority (DDA)/ Central Business District (CBD)	883	\$ 929,414,659	1.5	589	\$ 1,052,565
		Subtotal Appraisers	<b>21</b>		
<b>Other Staff</b>					
Board of Assessors			3		
Administrative			3		
Section Managers			2		
Assessments Records, Administrative Services, and Other Support Staff			27		
<b>TOTAL CITY/ ASSESSMENT DIVISION</b>	<b>387,000</b>	<b>\$ 11,120,394,579</b>	<b>56</b>	<b>6,911</b>	<b>\$ 28,735</b>

Source: 2010-2011 Executive Budget Summary and Assessment Division Organization Chart (2011)

During the audit, an overwhelming majority of the employees interviewed ranked “the lack of adequate staffing” as the number one challenge facing the Division. Management indicated that the staff faces “burn-out” because of the excessive overtime, and the Division has issues with a proper work-life balance for its employees.

Despite the demonstrated need for additional staffing, the Assessments Division actual personnel costs were less than budgeted for each fiscal year 2008-2009, 2009-2010, and 2010-2011. In fact, Mayor Bing’s Crisis Turnaround Team noted the City “has an opportunity to increase the Assessors Division’s staffing levels to maintain accurately documented property tax assessments reducing financial risks associated with property tax appeals”. During the budget hearings, City Council questioned the Assessments Division’s proposed 2010-2011 budget noting that in spite of the Division “confronting an increasing caseload of work...the Finance Department asked for fewer resources in terms of full time equivalent (FTE) and dollars than the Mayor’s recommended budget.”

**The Office of the Auditor General’s 14-Point Local Unit Review  
(Based on Michigan State Tax Commission’s 14-Point Local Review)**

The State Tax Commission's 14 Point Local Unit Review is one of its primary tools for evaluating the assessing administration practices of local governmental units. The following table is a synopsis of the STC’s review and the results of the City of Detroit Office of the Auditor General’s Performance Audit of the Finance Department Assessments Division.

<b>AUDIT ITEM</b>	<b>ITEM DESCRIPTION</b>	<b>AUDIT CRITERIA Michigan Code</b>	<b>AUDIT CRITERIA (Condensed for easy reading)</b>	<b>Audit Criteria</b>	<b>Audit Results</b>
1.	State Assessor Board (SAB) Certification Level	MCL 211.10f.1	If the preparation of the assessment roll was not supervised by a properly certified assessor the assessment roll is automatically non-compliant	Level IV Assessor	City of Detroit Certified by Linda Bade, Level IV Assessor
2.	a. On what date was the assessment roll certified by the above identified assessing officer?	MCL 211.24	On or before the first Monday in March the supervisor or assessor shall make and complete an assessment roll...	March 1, 2009 March 1, 2010	2009 Signed by L. Bade 4/6/09. 2010 Signed by L. Bade 4/5/10.
	b. On what date did the assessing officer deliver the certified assessment roll (original hard copy) to the local Board of Review for its required March meetings?	MCL 211.24	On the Tuesday immediately following the first Monday in March, the supervisor or assessor shall turn over the certified and signed assessment roll to the Board of Review.	March 2, 2009 March 2, 2010	2009 Signed by L. Bade 4/6/09. 2010 Signed by L. Bade 4/5/10.
3.	a. On what date was the assessment roll certified by the local Board of Review (BOR)?	MCL 211.30. (3)  MCL 211.30a	After the BOR completes the review, a majority of the BOR shall endorse the roll; certified means signed signatures. "...the review of assessment by BOR must be completed on or before the first Monday in April..."	Certified before April 8, 2009 April 7, 2010	2009 Signed by BOR 4/6/09. 2010 Signed by BOR 4/5/10.
	b. Did the local BOR utilize State Tax Commission (STC)		BOR Petition: - at least 2 sets of initials - must be in the BOR minutes	STC Form L-4035	Yes, per the Secretary of the BOR. All other Audit work is Out of Scope.

The Office of the Auditor General’s 14-Point Local Unit Review  
 (Based on Michigan State Tax Commission’s 14-Point Local Review)

AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA (Condensed for easy reading)	Audit Criteria	Audit Results
	FORM L-4035 (or equivalent)				
	c. Did the local BOR utilize State Tax Commission (STC) FORM L-4035a to document any and all valuation changes authorized by said board?		BOR authorized changes were entered into the “original” assessment roll in an indelible manner	STC Form L-4035	Yes, per the Secretary of the BOR. All other Audit work is Out of Scope.
	d. Did the BOR prepare minutes of the meetings and actions authorized by BOR and file the minutes with the local unit clerk?	MCL 211.33	March BOR (Y) or N? July BOR (Y) or N? December BOR (Y) or N?	March 9, 2009 March 8, 2010	Yes, per the Secretary of the BOR (maintained on audio tapes). All other Audit work is Out of Scope.
	e. Is the BOR in substantial compliance with the requirements of the GPTA?	MCL 211.10f MCL 211.33	March BOR Y or N? July BOR Y or N? December BOR Y or N?	General Property Tax Law	<i>Out of Audit Scope</i>
	f. On what date did the BOR close?		March BOR _____ July BOR _____ December BOR _____	June 1 <sup>st</sup> (per BOR Secretary)	Dates not readily available but maintained on audio tapes and in BOR Log Books. Secretary could not produce hardcopies of log recording the closing dates. All other Audit work is Out of Scope

The Office of the Auditor General’s 14-Point Local Unit Review  
 (Based on Michigan State Tax Commission’s 14-Point Local Review)

AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA (Condensed for easy reading)	Audit Criteria	Audit Results
4.	a. On what date was the original hard copy assessment roll delivered to the county equalization department?	MCL 211.30 (4)	The completed assessment roll shall be delivered by the appropriate assessing officer to the county equalization director not later than the tenth day after the adjournment of the BOR, or the Wed. following the first Monday in April, whichever date occurs first.	Tenth Day or by April 8, 2009 April 7, 2010	Per Wayne County Equalization Director and due to the size of the hardcopy roll, it is not delivered to them. Instead it is available on demand for inspection by his office.
	b. On what date did the assessing officer deliver STC Form L-4021 to the county equalization department?	MCL 211.30 (4)	STC Form L-4021 must be filed with the county equalization department and the STC immediately following the adjournment of the BOR. Note: STC requires a signed hard copy.		Per Wayne County Equalization Director Form L-4021 is not delivered to them. Instead it is available on demand for inspection by his office.
	c. On what date did the assessing officer deliver STC Form L-4022 to the county equalization department?	MCL 211.30 (4)	STC Form L-4022 must be filed with the county equalization department and the STC immediately following the adjournment of the BOR.  Note: STC requires a signed hard copy.		<u>Copies from Assessment Div:</u> 2009 Signed by L. Bade 4/8/09. 2010 Signed by L. Bade 4/5/10. <u>Copies from Wayne County:</u> Per Wayne County Equalization Director Form L-4022 rec'd on time but not date stamped by WC. 2008-2011 L-4022 were signed and dated by L. Bade.
	d. On what date did the assessing officer deliver STC Form L-4025 to the county equalization department?	MCL 211.34d. (2)	On or before the first Monday in May of each year...and provide the tabulated tentative taxable values to the county equalization director.	May 4, 2009 May 3, 2010	<u>From Wayne County:</u> Per Wayne County Equalization Director Form L-4025 rec'd on time but not date stamped by WC.

The Office of the Auditor General’s 14-Point Local Unit Review  
 (Based on Michigan State Tax Commission’s 14-Point Local Review)

AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA (Condensed for easy reading)	Audit Criteria	Audit Results
5.	a. Does the local unit have a copy of the 2003 Assessors Manual cost schedules for review by the taxpayers and a copy of the manual actually used to make the assessments?		The assessor must be able to show a taxpayer how assessment is arrived at.	Hardcopy manual  Costing factors are encoded in Equalizer	The auditor observed the 2003 Assessors Manual.  <i>Auditing assessments is out of the scope of this audit</i>
	b. Identify which of the following assessor’s manuals is utilized by the local unit assessing officer.	MCL 211.10e	Includes STC approved manual or computerized appraisal software program, i.e. BSA Equalizer, 2003 cost tables		BSA Equalizer.NET
6.	Identify which of the following assessor’s records are utilized and maintained by the local unit assessing officer.	MCL 211.10e	<input checked="" type="checkbox"/> Appraisal record card system <input checked="" type="checkbox"/> Personal property record system <input checked="" type="checkbox"/> Tax maps <input checked="" type="checkbox"/> Land value maps <input checked="" type="checkbox"/> ECF determinations <input checked="" type="checkbox"/> Current year assessment roll <input checked="" type="checkbox"/> Original    ___ Duplicate Copy		The Division has an appraisal record card system as well as an electronic system (Equalizer.NET). Personal property records are maintained in hardcopies and are filed electronically. Personal property information is also in Equalizer
7.	Does the local unit provide customary business hours for inspection and copying of public records?	MCL 211.10a	<input checked="" type="checkbox"/> Y (If yes, indicate designated days and times) ___ N	Posting of business hours on City Web	Yes, the Division is open to the public Mon-Friday 8:30 to 4:00 PM.

The Office of the Auditor General’s 14-Point Local Unit Review  
 (Based on Michigan State Tax Commission’s 14-Point Local Review)

AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA <i>(Condensed for easy reading)</i>	Audit Criteria	Audit Results
8.	If the answer to Item 7 is NO, has the local unit adopted a policy and/or procedure to be utilized regarding the inspection and copying of public records?	MCL 211.10a	<input type="checkbox"/> N/A <input type="checkbox"/> Y (If yes, attach a copy of policy/procedure) <input type="checkbox"/> N		N/A
9.	Assessment Roll Requirements – identify which of the following specific data or information is posted to the current assessment roll:		<ul style="list-style-type: none"> <li>• Name &amp; address of property owner</li> <li>• Legal description or STC approved parcel code number</li> <li>• School district code</li> <li>• Property classification</li> <li>• Assessed valuation</li> <li>• Capped valuation</li> <li>• Taxable valuation</li> <li>• BOR valuation column</li> <li>• MTT &amp;/or STC valuation column</li> <li>• Principal residence or qualified agricultural property exemption &amp; percentage</li> <li>• Date of last transfer of ownership</li> </ul>		All assessment roll required information is contained in Equalizer.NET.
10.	a. Does the local unit have a copy of the 2003 Assessors Manual cost schedules for review by the taxpayers and a copy of the manual actually used to make the assessments?		<input checked="" type="checkbox"/> X <input type="checkbox"/> Y <input type="checkbox"/> N (If no, date(s) last calculated)	Hardcopy manual  Costing factors are encoded in Equalizer	The auditor observed the 2003 Assessors Manual.  <i>Auditing assessments is out of the scope of this audit</i>

The Office of the Auditor General’s 14-Point Local Unit Review  
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AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA <i>(Condensed for easy reading)</i>	Audit Criteria	Audit Results
	b. Does the assessor maintain a record of properties receiving treatment for normal repair, replacement, & maintenance and indicate on the assessment roll the properties affected?	MCL 211.27(2)	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N		While the Division gets information from BSE&ED, the information is not timely. Property records are not being updated properly or timely for demolition, new construction, repairs, etc. The flow of information
11.	Does the appraisal record cards properly account for all physical items located on the description?		Select a random sample of property record cards to field check. See minimum requirements for residential and commercial/industrial property cards.  Score <95% for both Property Record Cards and Equalizer (Passing is 95% or more)		The average number of years since the last recorded site visit are: 22.8 years for Commercial & Industrial and 30.0 years for Residential. 66.7% of properties are in override in Equalizer, which indicates that physical details of the property are not in Equalizer.
12.	Is the local unit in substantial compliance with the uncapping of taxable valuations the year following a transfer of ownership?	MCL 211.27a(3)	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N (If no, then documentation is required)		The error rate for not uncapping sales was 8.1%, or 3 or 37 sales

The Office of the Auditor General’s 14-Point Local Unit Review  
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AUDIT ITEM	ITEM DESCRIPTION	AUDIT CRITERIA Michigan Code	AUDIT CRITERIA <i>(Condensed for easy reading)</i>	Audit Criteria	Audit Results
13.	Based on a sampling of properties involving new construction which occurred in the prior year, do the current year’s assessments include new construction?		___ X ___ Y ___ N (If no, then documentation is required)  Review the L-4021 for equalizations “new” and/or capped value “Additions”. Includes a comprehensive review of building permits; may require a physical inspection of building permits.		Five of six (83.3%) of permits for new construction were updated in Equalizer; one address/permit is not in equalizer.  Note: This test does not conclude on the accuracy of the assessment or valuation of the properties.
14.	Based on a sampling of known “sale” properties, is the local unit in substantial compliance with STC Bulletin 19 of 1997 forbidding illegal valuation practices?	STC Bulletin 19 of 1997	___ Y ___ N (If no, then documentation is required)  Assessor? Or BOR?		<i>Out of Audit Scope – Not Tested</i>

## Glossary of Acronyms and Terms

NAME	DESCRIPTION
Assessed Value	The assessment is recorded on the assessment roll at 50% of the value.
BSE&ED	Buildings, Safety Engineering and Environmental Department
BOR	Board of Review. A Board of Review is not the assessor and the assessor is not the Board of Review. Every citizen who appears before the BOR is in fact challenging a decision of the assessor and it is the BOR's responsibility to make an independent judgment based on the facts and on law
Capped Value	Capped value is a mathematical formula which quantifies the increased taxable value to the rate of inflation adjusted for new and loss. New and loss is a change in a properties physical characteristics.
CAS	Capital Asset System – the Oracle Asset module used to record, track, maintain and report capital assets, The Oracle Capital Asset Module replaced all legacy capital asset systems throughout the City in December 2004 (Finance Directive 95 Revised)
CBD	<b>Central Business District</b>
CEU	Continuing Education Units
DAH	Department of Administrative Hearings
DBRA	Detroit Brownfield Redevelopment Authority. The Brownfield Redevelopment Financing Act 381 of 1996 provides tax incentives to develop Brownfields (properties in an area at or on which there has been a release (or threat of release) or disposal of a hazardous substance)
DDA	Downtown Development Authority. Supports private investment and business growth within the central business district using a combination of property taxes, grants, and other funds
DRMS	Detroit Resource Management System. The City of Detroit financial recording system
DRPS	The Detroit Residential Parcel Survey was a landmark survey of Detroit's residential property. It was conceived and implemented by the Data Collaborative, a partnership between the Detroit Office of Foreclosure Prevention and Response (FPR), Community Legal Resources (CLR) and Data Driven Detroit (D3). Surveyors went out in the field in August and September of 2009 to survey every residential property with one-to-four housing units in Detroit (excluding large apartment buildings and commercial structures.) They collected information on building type, condition, vacancy, fire damage, open and dangerous conditions; vacant lots were also identified and classified.
ECF	Economic Condition Factors. ECF's are applies to each building on a parcel in order to adjust building values to the market. Equalizer allows you to either manually enter pre-calculated ECF's or generate these factors and apply them to each neighborhood. ECF's can also be further broken down by building style and physical conditions for residential structures which allow more flexibility in matching market information.
Equalizer Assessing System	Equalizer is the software system used by the City to value and assess property for the purpose of levying property taxes; it is approved by the State Tax Commission
Financial Audit	Financial audits provide an independent assessment of and reasonable

## Glossary of Acronyms and Terms

	assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria. Reporting on financial audits performed in accordance with GAGAS also includes reports on internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes.
FTE	Full Time Equivalents (personnel)
IPDS	Integrated Physical Data Systems – a common shared database supporting many departments using urban property descriptions.
ITSD	Information Technology Systems Department
LDFA	Local Development Finance Authority. Provides financial incentives to industrial and technological development projects via Tax Increment financing
Michigan Land Bank Fast Track Authority and Wayne County Land Bank	These are special authorities that handle the conveyance of land, each serving its own purposes
MSAB	Michigan State Assessors Board. State Assessors Board Members are appointed by the Governor and serve a term at the pleasure of the Governor. The State Assessors Board hold monthly meetings
MTT	Michigan Tax Tribunal. The Michigan Tax Tribunal is an administrative tax court. As the State's tax court, the Tribunal has authority over assessment disputes relating to both property and non-property tax matters. To resolve those disputes, the Tribunal conducts hearings and renders written decisions based on the evidence submitted by all parties
NEZ	Neighbor Enterprise Zone. PA147 provides for incentives to encourage development of new housing and the rehabilitation of existing housing stock
OAG	Office of the Auditor General
Override	Parcels are place in override when data is converted from a prior system to the Equalizer Assessing System. It is the method used to make sure that the assessment roll is in balance. When parcels are in override, the appraisal is "disconnected" from the assessment
Performance Audit	Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program <sup>13</sup> performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability
Personal Property	Movable items of property that are not permanently affixed to, or part of, the real estate. Personal property is not endowed with the rights of real property ownership. Examples: <ul style="list-style-type: none"> <li>• Furniture and furnishings not build into the structure such as refrigerators and freestanding shelves</li> </ul>

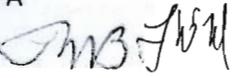
## Glossary of Acronyms and Terms

	<ul style="list-style-type: none"> <li>Items such as bookshelves and window treatments installed by a tenant that under specific lease terms may be removed at the termination of the lease</li> </ul>
Pictometry	Pictometry is a copyrighted application that shoots aerial pictures “at a slant”. This allows a technician the ability to measure the dimensions of the building (height, depth, length) using measuring tools in the application. Pictometry is linked to the City’s GIS systems, which are linked to GIS maps, which are also linked to Equalizer. Therefore our instance of Pictometry includes an overlay of the City’s parcel map.
PILOT	Payment in Lieu of Taxes. Owners of housing projects are exempt from taxation under this program pay the municipality in which the project is located an annual service charge for public services in lieu of all taxes. The purpose for the program is to provide housing units for citizens of low income
PRE	Principal Residence Exemption. This is an exemption granted by the state to homeowners that own and occupy the property. A homeowner may only have one PRE. A person must establish proof of ownership and proof of occupancy.
PTA	Property Transfer Affidavit. Property Transfer Affidavits must be filed by the new homeowner with the City where the property is located within 45 days of the transfer. If it is not filed timely, a penalty of \$5 per day (maximum \$200) applies.
Real Estate	Items that have been installed or attached to the land or building in a rather permanent manner. All real estate improvements were once personal property: when attached to the land, they become real estate. Examples: <ul style="list-style-type: none"> <li>Land</li> <li>Buildings</li> <li>Fixtures - e.g. plumbing, lighting, heating, and air-conditioning in a residential property.</li> </ul>
Renaissance Zone	Renaissance zones are virtually free of all state and local taxes for businesses located within their boundaries
STC	State Tax Commission. The STC is comprised of 3-members appointed by the Governor with the advice and consent of the Senate. STC has general supervision of the administration of the Property Tax Laws in Michigan and shall render such assistance and give such advice to assessors, as they deem necessary
Taxable Value	Taxable value is the value used to calculate the property taxes for a property. In general, the taxable value multiplied by the appropriate mileage rate yields the property taxes for a property
Uncapping	Except for additions and losses to a property, annual increases in the property’s taxable value are limited to 5 percent or the rate of inflation, whichever is less. However in the year following a statutory transfer of ownership, this limitation is eliminated and the property’s taxable value is set at 50 percent of the property’s true cash value (i.e. the state equalized value). This is what is meant by “taxable value uncapping”
Trade Fixtures	Trades fixtures are not real estate endowed with the rights of reap property ownership. They are personal property regardless of how they

**MEMORANDUM**

**DATE:** August 21, 2012

**TO:** Cheryl R. Johnson, Group Executive/Finance Director  
Loren E. Monroe, CPA

**FROM:** Board of Assessors 

**RE:** Responses to Performance Audit

The Auditor General recommended the expanding and implementing of the Pictometry software to assist with the valuation, assessment and conversion efforts. We agree. The Division was granted limited funding to implement the system. The Division intends to expand the project as funds are available. Currently, most computers are unable to handle the Pictometry program. Once new computers have been purchased, the staff will be trained to fully utilize Pictometry.

The recommendation was to explore getting assistance from various state regulatory agencies to programmatically identify exempt organizations in the City of Detroit. The Engineering Section of the Assessments Division is in the process of auditing all exempt parcels. Churches are currently being field reviewed at this time and properly being updated to the proper status in Equalizer. Also, the current functionality of Equalizer to enhance edits and improve reporting of value is directly related to parcels coming out of override. However, layoffs and staff vacancies in the appraisal and technician series, has hampered progress. The target is 30,000 per year. Additionally, with respect to the changes and updates in Equalizer the recommendations were to establish line level managerial or supervisor reviews of property changes. The Division will strive to comply with the recommendation with the current staffing level of the Division.

The Assessments Division is currently in the process of working with the Planning and Development Department to correct the assessment roll. The recommendation was the elimination of the Division's requirement for a hardcopy of a deed for purchases of city-owned properties. The Division deems that this process is necessary at this time for record maintenance. The system for automation of the transfer documents via the Planning and Development Department is in the design and testing phase.

The Assessment Division, as part of the BSE&ED project to replace their current Tidmark system, as provided parcel data to be integrated with the new permit system. That will allow an electronic exchange of data between the two systems. In the interim BSE&ED provide the Assessment Division with an electronic export from the Tidmark system of current permits. Those are being integrated into equalizer with an emphasis on new construction.

The Division has established standards for the Data Management Section to properly assess and calculate the Property Transfer Affidavit penalties and will be trained on how to utilize the sales screen for identifying a penalty being assessed.

The Division is in compliance with retention of copies of final reports submitted to various taxing authorities. All required reports are scanned and filed electronically on the Executive Secretary and Chief Assessor's desktops. A hard-copy of all final reports are also stored in the Chief Assessor's office.

A temporary cash handling policy is in place. It is the Division's preference not to handle any cash at the counter and we are working towards that goal by working with the Treasury Division for a voucher/paid system during certain times of the year.

There is a segregation of duties. We no longer utilize Cash Receipt books and only one Cash Register is in use and that is in room 804. The transaction date and time is printed on the cash register receipt issued to the taxpayer. Reconciliation of cash receipts, journal entries and bank deposits are done on a daily basis. Currently, two staff members have access to the cash register on a daily basis. The recommendation for the installation of security cameras to monitor the cash register and the front counter was implemented as of March 2012.

The audit revealed there was hardware that had not been properly tagged as inventory. As of June 2012 all equipment is properly tagged. Deficiencies in the process of maintaining contract and purchase order files have been corrected. The Assessments Division utilizes the Equalizer software which is a sole-sourced supplier approved by the State Tax Commission. Advertisement for the services of an MAI will be considered.

The Division is in the process of investigating alternative solutions to preserve the PLAT books such as image scanning and acquiring a historic designation. The recommendation to protect property record cards from fire and water damage will be resolved when funding is acquired to purchase the appropriate cabinetry.

The document imaging software to enhance our document retention process is scheduled to be rebid by August 24, 2012. We are in the process of relocating files in proximity to the appraisal staff and also a check in and out policy is being established.

The staff is in the process of converting targeted properties in Equalizer however, staffing levels have continued to decline limiting the progress of the conversion.

We will comply with Finance Department and State mandates as appropriate to the size and cost of providing permanent copies of Board of Review proceedings to the City Clerk.

The current parcel count is approximately 420,000. Staffing level reductions continue to plague our Division. Below the table indicates the reduction in staff for the past four years:

**Staffing Levels:**

2008-09	56 on site employees; budgeted for 62
2009-10	54 on site employees; budgeted for 61
2010-11	51 on site employees; budgeted for 56
2011-12	41 on site employees; budgeted for 53

It should also be noted that the Division is often hampered by employees unable to work full time due to FMLA-related absences.