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Audit Report

**ASSESSMENT
DIVISION**

As of June 30, 2012

**Office of the Controller
County of Northampton
Pennsylvania**



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May 16, 2013

Members of the Northampton County Council
John Stoffa, County Executive
County of Northampton, Pennsylvania

We have completed an audit of the Assessment Division as of June 30, 2012.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Assessment Division. Their help was essential to the performance of this audit.

Our report was discussed with management at our exit conference on May 15, 2013. Management's response is included in the Audit Results section of the report.

Very truly yours,

Stephen J. Barron, Jr., CFE
County Controller

Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor

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EXECUTIVE SUMMARY

Considering the volume of transactions that are processed by the Assessment Division, internal controls currently in place appear to be functioning as intended. While no errors were found during testing that affected assessed values on parcels, we did note a number of areas where improvements could be made to strengthen controls and increase efficiency.

The most urgent improvement that should be made is the development and implementation of a policies and procedures manual. This will provide a framework for employees to turn to for guidance on handling their day-to-day duties, improving the consistent handling of transactions processed by the Assessment staff.

Internal controls could also be improved by implementing a procedure to track appeals as they are received, by requiring a Board member's signature on the Administrative Determination Letters, and by developing procedures to verify all parcel splits and combinations/deletions have been updated and correctly entered in IAS.

The efficiency of the office could be improved with the yearend rollover of information in IAS if an individual was cross-trained to assist in the process and the yearend procedures were re-evaluated to consider ways to reduce any redundancy in the verification process.

Lastly, by signing a conflict of interest or code of ethics statement, Assessment staff would affirm their commitment to uphold their professional standards.

Further details for the above items can be found in the accompanying report.

INTRODUCTION

The Assessment Office is one of several divisions under the direction of the Department of Fiscal Affairs. The office is responsible for developing fair and equitable tax rolls for the County, municipalities and school districts, and maintaining a uniform system of property valuation based on rules and regulations of the Commonwealth of Pennsylvania.

The office staff consists of the following 15 positions:

- One Assessment Manager
- One Deputy Assessment Manager
- Ten Real Estate Assessor III
- Two Clerical Technician III
- One Secretary II

Assessors are required to comply with Federal Guidelines titled ‘Uniform Standards of Professional Appraisal Practice’ (USPAP) and the Pennsylvania Code Title 49 Professional Vocational Standards. All Assessor III’s must be licensed as Certified Pennsylvania Evaluators (CPE) and must receive 28 hours of continuing education every two years to maintain this license.

Each assessor is assigned to a specific area of the County that may consist of one or more municipalities. Within their assigned area, the assessors are responsible for residential, commercial, industrial and agricultural assessments. While performing work in their assigned area, they also follow up on the status of building permits assigned to them and look for construction that may not have been reported to the County in an effort to maintain up-to-date property records. The last county-wide reassessment was performed in 1995. Management’s main concern is obtaining all permits from the various municipalities.

The software in use was purchased from Cole Layer Trumble (CLT), a division of Tyler Technologies. Assessment staff enters data into the integrated assessment system (IAS) and various reports are available to monitor changes made to assessed properties, the status of permits, total current assessed values, changes to the assessed values and the assessor’s workload. The IAS System Administrator (Fiscal Affairs Programmer/Analyst) is responsible for maintaining IAS which is interfaced with the Recorder of Deeds system and Revenue’s real estate tax system. In 2013, Assessment will be implementing an upgrade to their system that will enable them to also interface with the GIS mapping system.

As of September 1, 2012, the date the data file was compiled by the IAS System Administrator, there were a total of:

- 121,701 parcels
- 3,885 parcels updated by the office
- 2,371 open permits (81% with an age of 1 year or less)
- 4,042 exempt parcels

PURPOSE AND SCOPE

The purpose of the audit was to:

- Determine if information collected on properties within Northampton County is accurately reflected in the Assessment system.
- Determine if proper controls exist in valuing Northampton County properties.

The scope of the audit includes program results as of June 2012; although some of the testing extended into later months due to the timing of reports prepared for the audit.

METHODOLOGY

Our methodology included:

- Interviewing the Assessment Manager, Deputy Assessment Manager, other Assessment staff members and the IAS System Administrator (Fiscal Affairs Programmer/Analyst).
- Identifying applicable policies, procedures, laws and regulations, and testing for compliance.
- Obtaining reports (dated January through September 1, 2012), analyzing the reports using data analysis software and testing changes to assessed values for propriety.
- Reviewing internal controls.
- Testing changes made to the IAS system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A - Policies and Procedures

1. Documenting Policies and Procedures

OBSERVATION

The Assessment Division follows guidelines as outlined in the text, "Assessment Law and Procedure in Pennsylvania". However, as of the fieldwork date, the Assessment Division did not have a written policies and procedures manual for their office. A policies and procedures manual is a document for employees to refer to for guidance in their daily job responsibilities.

The absence of a policies and procedures manual can lead to inconsistent handling of duties. As a result, this may have contributed to differences in the way assessors document their work performed, and enter updates to IAS.

The following was observed:

- Information in the Permit Tracking module is not always complete, notes are not always entered or updated as work is done, and data entry in various fields is not always consistent, resulting in the current status of a permit being unclear.
- A review of the data file provided by the System Administrator showed that not all fields in the IAS computer system are being updated as work is performed by assessors. This results in conflicting information within each record. It did not appear as if the fields with improper information affected the assessed value of the properties or real estate tax calculations. However, some of these fields are included in the data file that is made available to the public.

RECOMMENDATION

Assessment was in the process of compiling a policies and procedures manual at the conclusion of our audit fieldwork. The Division should complete their policies and procedures manual and implement it as soon as possible. Staff should be trained to ensure policies and procedures are understood and properly followed.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

The Assessment Office is in the process of compiling a policies and procedures manual. Once it is completed, we will train the staff to ensure the policies and procedures are understood and properly followed.

Section B – Internal Controls

1. Documenting Receipt of Appeals

OBSERVATION

When any assessment is changed or added to the tax rolls, any aggrieved party has 40 days to file a written appeal. In addition, on or before July 15th of each year, Assessment must prepare a list of persons and property subject to taxation including the value placed on each parcel. This list must be made available to the public at which time individuals desiring to appeal their assessment must file a written appeal by August 1st. The Board must make a formal decision on the appeal by October 31st.

Currently the Assessment office does not prepare a listing of appeals as they are received in their office. The appeals are only entered into the formal hearing schedule in IAS when they have been assigned a date and time for the Board to hear the appeal. When questioned about the total number of appeals and the status of appeals, Assessment could not provide a complete accounting until all appeal hearings had been scheduled.

Internal controls are a means to evaluate performance in an organization and ensure accuracy in data. Documentation is a way to assist in achieving that goal by giving management the tools it needs to prepare reports to provide analysis of activities. Without documenting the receipt of the appeals, there is no way to know the overall count of appeals received and the current status of those not yet assigned a hearing date. There is also a risk that an appeal that has been received but not scheduled for a hearing could be overlooked.

RECOMMENDATION

Assessment should work toward improving their documentation process for requests for appeals when they are received and throughout the appeals process. In doing so, it will provide management with a better reporting mechanism about the annual appeals and their outcomes. A policies and procedures manual should provide guidance for the handling of appeals.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

We started to log in assessment appeals in January of this year. We set up a spreadsheet in Dept/Shared under "Appeals Log 2013". The spreadsheet consists of the parcel ID #, name, type of appeal, effective date, fee paid and appeal received date. The Secretary to the Board of Appeals and our clerical staff update the spreadsheet as appeals come in.

2. Authorization of Administrative Determination Letters

OBSERVATION

The Assessment Board is comprised of a solicitor and five members, who are all appointed by the County Executive. The Board meets at least 12 times per year to handle appeals. After each hearing, the Board makes its final decision. These decisions are documented by the Board by completing an "Administrative Determination Letter".

The Assessment Division relies on these Administrative Determination Letters as proof of the Board's decision so they can update the parcel record in IAS and ensure proper assessment for these parcels.

Five Administrative Determination Letters were reviewed during testing. Testing revealed that three out of five letters had no signature or date from a Board member as proof of authorizing a change to the assessment.

Proper authorization of transactions provides a means in which the propriety of a transaction can be documented to ensure the reliability and integrity of information.

RECOMMENDATION

These Administrative Determination Letters should be signed and dated by a Board Member as evidence that a change in assessment has been authorized. A policies and procedures manual should provide guidance with regard to the proper handling of these Administrative Determination Letters.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

A member of the Revenue Appeals Board fills out the Administrative Determination Letter for each property and the Chairperson signs off on it. The Secretary of the Revenue Appeals Board will make sure that they give us the letter and will check to make sure the Chairperson signed off on it.

3. Updating Parcels for Splits and Combinations/Deletions

OBSERVATION

Geographic Information Systems (GIS) receives plans for parcel splits (dividing a particular parcel into two or more parcels) and combinations/deletions (combining one or more parcels into a new parcel). Once the plan has been reviewed and approved, GIS completes their standard form for the split or combination/deletion and forwards it to Assessment for processing.

Assessment is responsible for ensuring that parcels are updated in IAS for splits and combinations/deletions. Assessment maintains monthly listings of all splits and combinations/deletions that are updated in IAS.

While testing parcel splits and combinations/deletions, it was noted that there is no verification done by either GIS or Assessment that all parcel splits and combinations/deletions were processed by Assessment.

While improvements can be made to this process, it was noted that no errors were found with regard to parcel splits and combinations/deletions.

RECOMMENDATION

Assessment should develop procedures to verify that parcel splits and combinations/deletions have been processed and that they have been updated correctly in IAS.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

The GIS Department is in the process of creating a database of the recorded plans, splits, combinations and land value adjustments that they process and give to clerical staff to put into IAS. Clerical Staff in the Assessment Office maintains a spreadsheet of splits, combinations, and land value adjustments. The GIS Department will cross reference our list with their list to insure that everything was entered correctly.

Section C – Compliance

1. Conflict of Interest Statement

OBSERVATION

Currently, the Assessment office employs ten individuals with a job classification of Assessor III. All ten of these individuals are Certified Pennsylvania Evaluators (CPE) and must adhere to Title 49, Chapter 36, Section 36.281 Standards of Professional Conduct. These standards encompass general duties, professional qualifications, limitations on activities, and conflicts of interest. The County also has a Code of Ethics policy that all County employees must adhere to.

While these Assessors are required to abide by their professional standards and the County Policy, they do not sign a Conflict of Interest or Code of Ethics Statement.

RECOMMENDATION

It is recommended that the Assessor III's be asked to sign a conflict of interest or code of ethics statement for the Assessment Division as a means of demonstrating their commitment to uphold their professional standards and County Policy. This requirement should be made part of Assessment's policies and procedures manual.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

Human Resources sent an email to complete an attached State Ethics Commission Statement of Financial Interests form. This will be sent to Management and Assessors every year from this point forward. We have already completed a form for the 2012 year.

Section D – Economy and Efficiency

1. Year-End Rollover of IAS Data

OBSERVATION

While reviewing the yearend rollover of IAS data, the following was discovered:

- The IAS System Administrator is the only individual at the County that has been trained to perform the rollover of IAS data from one year to the next.
- The IAS System Administrator works evenings, weekends and New Year's Day to complete the rollover of data at yearend to reduce the down time to the IAS system for other employees.
- The IAS System Administrator runs multiple reports to reconcile totals for the yearend rollover and appears to be duplicating her efforts to ensure the rollover has been performed accurately.

RECOMMENDATION

The Administration should appoint an individual to be cross trained as a backup for the IAS System Administrator for the yearend rollover and throughout the year to ensure the continuity of the process in the event the IAS System Administrator is not available to perform these tasks. This will increase workflow flexibility and ensure there is someone to fill in during absences, vacations or other peak demand periods.

An IAS system upgrade is to take place in 2013. The IAS system upgrade should be reviewed to determine if the yearend rollover can be performed in a more efficient and economical manner, eliminating the long hours and working on the holiday as well as reducing the redundancy in the reports used for the reconciliation.

MANAGEMENT RESPONSE

Cheryl Johnson, Assessment Manager

Tyler Technologies is the backup to the IAS System Administrator for the year end rollover due to the technical nature of the IAS system.

The Deputy Assessment Manager is appointed as the person to be the backup for running the daily and month end reports. Lisa will be training the Deputy Assessment Manager.

ISSUES RESOLVED DURING FIELDWORK

Throughout the audit process – from the preliminary meetings through the testing phase – it became evident that the Assessment Division staff was committed to making their department run as efficiently and effectively as possible and the staff was eager to correct any deficiencies that were noted.

The areas where immediate attention was directed include the following:

- Appointments to the Revenue Appeals Board were corrected and updated.
- Assessment began writing an Office policies and procedures manual.
- The Manager held a meeting with assessors to discuss consistency in data entry in the Permit Tracking module as well as various other fields within IAS.
- Minor data entry errors were corrected when they were brought to the attention of Assessment.
- Staff was proactive in the “proofing” process in that they detected and corrected errors in data entry.
- While reviewing LERTA properties, it was discovered that there was an anomaly occurring with the sales price under certain circumstances that affected the data files made available to the public. The IAS System Administrator developed a query report to check for these anomalies so the situation can be monitored and corrected on a routine basis.