

To Honorable County Council
Honorable Steve Ehlmann, County Executive

March 31, 2017

The Board of Equalization follow-up examination opened March 7, 2017, has been completed, and the final report is being issued today. The original scope of the review covered January 1, 2013 – October 31, 2015 while the follow-up review covered January 1, 2016 - February 28, 2017. Fieldwork for the review was completed on March 7, 2017, and our report reflects the results of work performed through that date. Responses were requested for by April 7th and received on March 29, 2017.

The objectives of the review were to determine whether internal controls were adequate and effective, operations and records were in compliance with established standards, regulations, policies and procedures, and resources were being used efficiently.

The examination covered the Board and the appeal process, with a focus on the observations from the initial review. We reviewed the internal control environment surrounding those activities, as well as performed an evaluation of the effectiveness and efficiency with which department objectives are being achieved. In addition, reviews for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures were performed.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and consisted of examining, on a test basis, sufficient evidence to afford a reasonable basis, for our opinion.

In our opinion, except for the opportunities included in this report, internal controls were adequate and effective and operations and records were in compliance with established standards.

The issuance of this report completes the formal examination process. However, if you wish to discuss any aspects of the audit or report, please contact me.

Brent Statler

Brent R. Statler, CPA, CGAP
County Auditor

Attachment

Copy to Joann Leykam, Director of Administration
Jack Strick, BOE Chairperson



**Board of Equalization
Examination Report
Opened November 23, 2015**

Scope January 1, 2013 – October 31, 2015
Follow-Up January 1, 2016 – February 28, 2017

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BACKGROUND AND INTRODUCTION

Authority and Activity:

The Board of Equalization (BOE) consists of three (3) taxpaying, property-owning citizens who are registered voters and residents of St. Charles County for at least one (1) year prior to their appointment. Members are appointed by the County Executive and approved by the County Council.

The BOE hears complaints and appeals and equalizes the valuation and assessments upon all real tangible personal property taxable by the County so that all the property shall be entered on the tax book at its true value. The BOE meets monthly throughout the year and several times a week between the first (1st) Monday of June and the last Saturday of August. Board members each receive a monthly payment of \$500 or \$800, varying with reassessment years.

Funding:

The primary funding for the Board of Equalization is provided by the general revenue fund. The historical funding for the Board of Equalization is presented below.

Board of Equalization General Revenue Fund – Expenditures Fiscal Years 2011-2017								
Fiscal Year	Salaries & Benefits	% Increase	Hourly Employee	% Increase	Operating Expenditures^	% Increase	Total Expenditures	% Increase
2011	\$18,000	N/A	\$3,854	N/A	\$0	N/A	\$21,854	N/A
2012	\$18,000	0.0%	\$3,335	-13.5%	\$0	0.0%	\$21,335	-2.4%
2013	\$18,000	0.0%	\$3,416	2.4%	\$336	100.0%	\$21,416	0.4%
2014	\$18,000	0.0%	\$3,234	-5.3%	\$0	-100.0%	\$21,234	-0.9%
2015	\$28,800	60.0%	\$3,909	20.8%	\$0	0.0%	\$32,709	54.0%
2016	\$18,000	-37.5%	\$3,769	-3.6%	\$0	0.0%	\$18,000	-45.0%
2017*	\$28,800	60.0%	\$9,000	138.8%	\$0	0.0%	\$37,800	210.0%

^ Office Supplies are paid for by Finance Dept.

* These are the approved budget amounts from the 2017 budget.

Staffing:

There are no full-time equivalent authorized positions for the Board of Equalization. The Board employs a temporary, part-time employee starting in May and ending in August.

II. STATUS BOARD

The status board provides a summary of the Board of Equalization’s functions and processes. Each cell located under a function represents an activity that is to be completed to ensure that the process is performed in an effective and efficient manner. The color of the cells represents the assessment regarding completion of the activity. The legend below gives a description of the definition of each color.

- Red indicates management's immediate attention is required.
- Yellow indicates an opportunity for improvement exists.
- Green indicates there is no action necessary at this time.
- Blue indicates a process that was not included in the scope of the review.
- Grey indicates a County issue that should be addressed by management, but is not necessarily a direct responsibility of the audited department/office.

Hearings	Board Members and Meetings
Appointments are scheduled with the Registrar from June through the second Monday of July.	The Board is comprised of three members appointed by the County Executive and approved by the County Council.
Hearings are scheduled in 15 minute increments and are held from the first Monday in July through the last Saturday in August. (A2)	Members serve a 3-year term with a new member appointed each January.
Citizens complete an appeal form to present to the Board along with any other relevant documentation.	Board members must be registered voters and taxpaying property owners. They must also have a background related to real estate or valuation.
During the hearing, the citizen and a representative from the Assessor will present information to the Board.	Board meetings are held monthly on the last Tuesday or Thursday.
After all evidence is presented, the Board will make their decision.	Any changes requested by the Assessor or Collector are reviewed at the meetings.
The decision is documented by the Board Secretary.	Assessment increase written notices are mailed. (A1)
The hearings are taped for minutes. The tapes are stored with copies of documentation in the Registrar’s Office.	Minutes are taken by an employee from the Registrar’s Office and by tape recording.
The Board’s decision is mailed to the citizen and a notice is sent to the Assessor.	Meeting minutes must be sent to the County Council within 30 days of the meetings.
If the citizen or the County does not agree with the Board’s decision, the case can be appealed to the State Tax Commission.	Board members receive a monthly payment for serving on the Board.
Any changes made by the Board are entered into the Aumentum system, which automatically notifies the Collector.	The payment is \$800 for reassessment years and \$500 for non-reassessment years.
The Assessor reconciles the Board changes to the assessed valuation and files a report with the Registrar to document that the amounts are balanced.	The payments are processed through the Registrar’s Office and are distributed at meetings.

III. EXECUTIVE SUMMARY

Following is a summary of opportunities for improvement which were noted during our review of the Board of Equalization:

A. Compliance Opportunities

1. *Assessment Addition/Increase Notification:* The Board of Equalization does not mail notifications to property owners for additions or increases in assessment approved during monthly meetings.
2. *Appeal Hearing Dates Code Update:* The deadline for completing assessments listed in the County Code appears to differ from State Statutes and current board operating procedures.

Compliance – Assessment Addition/Increase Notification

Discussion and Background	Cause	Effect	Recommendation
<p>County Code Section 120.220.A.2(a) states “If the Board shall add any property to the Assessor's books and records or increase the assessment, the Board shall cause notice in writing to be served upon the person owning or controlling the property affected, his agent or representative, by personal notice, by mail, or if the address of the person, agent, or representative is unknown, then by publication in one (1) issue of at least two (2) daily newspapers published within the County. The notice shall state the kind and class of property and the value fixed thereon and name the time and place, not less than five (5) days thereafter, when and where such owner may appear before the Board and show cause why said assessment should not be made.”</p>	<p>The Board of Equalization does not mail notifications to property owners for additions or increases in assessment approved during monthly meetings.</p> <p><u>Note:</u> On their own, the County Assessor’s Office does notify property owners by mail.</p>	<p>Compliance with County Code.</p>	<p>The Board does not wish to address A.1., the mailing of notification, as the Assessor’s Office currently does this, has been doing this and will continue to do this into the foreseeable future. Also, by allowing the Assessor’s Office to continue handling the task, it reduces postage costs for the County and significantly cuts down on taxpayer confusion.</p>

Compliance – Appeal Hearing Dates Code Update

Discussion and Background	Cause	Effect	Recommendation
<p>County Code Section 120.210.A states "The County Board of Equalization shall meet at least once a month for the purpose of hearing allegations of erroneous assessments, double assessments and clerical errors. Between the first (1st) Monday of June in each year and the last Saturday of July of that year, the Board shall meet in regular session and as often as necessary to timely hear and consider any appeal or complaint resulting from an evaluation made during a general reassessment of all taxable real property and possessory interests in St. Charles County. <u>Such hearings must be concluded on the last Saturday in July of each year;</u> provided, that the estimated true value of personal property as shown on any itemized personal property return shall not be conclusive on the Assessor or prevent the Assessor from increasing such valuation."</p> <p>RSMo 138.050.1 regarding boards of equalization states "In any county with a charter form of government or any city not within a county, <u>the board shall complete all business by the fourth Saturday in August.</u>"</p>	<p>The deadline for completing assessments listed in the County Code appears to differ from State Statutes and current board operating procedures.</p>	<p>The County Code may not be properly updated.</p>	<p>The Board is in the process of amending 120.210 OSCCMo. to track the current deadlines set forth in the Revised Statutes of Missouri.</p>