



To Honorable County Council Members
Honorable Scott Shipman, County Assessor

April 11, 2018

The County Assessor's examination opened January 30, 2018 has been completed, and the final report is being issued today. The scope of the review covered January 1, 2015 – December 31, 2017. Fieldwork for the review was completed on March 27, 2018, and our report reflects the results of work performed through that date. Responses were requested for by April 23 and received on April 10, 2018.

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 real estate property (land evaluation, record updating, market data, assessment approaches – cost/market/income, field work, reassessment, and occupancy), special assessments, exempt properties, GIS, data processing, personal property (property valuation process, discovering of new property, reporting, public awareness, and records), appeals, and the Assessment Maintenance Plan. 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

**County Assessor
Examination Report
Opened January 30, 2018**

Scope January 1, 2015 – December 31, 2017

Table of Contents

I. Background and Introduction	1
Authority and Activity.....	1
Funding.....	2
Staffing.....	3
II. Status Board.....	4
III. Executive Summary.....	8
IV. Detailed Findings.....	9
Control Opportunities.....	9

BACKGROUND AND INTRODUCTION

Authority and Activity:

The County Assessor's Office, as charged by State statute, determines the fair market value of all taxable real and personal property in the County as of the tax date. The assessment duties are separated into four divisions: Real Estate, Personal Property, Special Assessments, and GIS. The Real Estate Division is responsible for appraising land using various valuation methods, performing a bi-annual reassessment, conducting market research and occupancy reviews, and assisting the public to locate real estate records. Real property refers to land, improvements to the land and all rights inherent to ownership.

The Personal Property Division locates and assigns a value to all personal property using valuation guides and other methods. The Division works with the public to increase awareness for completing and filing property declaration forms. Personal property is every tangible thing, subject to ownership or part ownership whether animate or inanimate, other than money, and not forming part of or permanently affixed to real property, but does not include household goods, furniture, wearing apparel, and articles of personal use and adornment owned and used by a person in their home. Vehicles, boats, farm equipment, and livestock are examples of tangible personal property.

The Special Assessments Division assigns and reviews tax exempt status to property through field audits, desk audits, and property assessment reviews. The Division also records properties located within development incentive districts (TIF, Chapter 100 and Chapter 353).

The GIS/Mapping Division uses GIS technology to create parcel maps of the County and assign various types of data to those maps.

The County Assessor's program mission as stated in the 2018 budget is as follows:

<p>To establish an assessment process that provides for timely and equal assessment. To assure all citizens of St. Charles County that the procedures and policies of the Assessor's office in this County equal or exceed the fairness of any other county. 2018 budget, pg. 216.</p>
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Funding:

The primary funding for the County Assessor is provided by the Assessment Fund. The historical funding for the County Assessor is presented below.

County Assessor Assessment Fund (211) – Expenditures Fiscal Years 2013-2018								
Fiscal Year	Salaries & Benefits	% Increase	Operating Expenditures	% Increase	Capital Expenditures	% Increase	Total Expenditures	% Increase
2013	\$ 2,745,801	N/A	\$ 445,485	N/A	\$ 293,094	N/A	\$ 3,484,380	N/A
2014	\$ 2,778,192	1.2%	\$ 372,813	-16.3%	\$ 222,351	-24.1%	\$ 3,373,356	-3.2%
2015	\$ 2,855,905	2.8%	\$ 769,087	106.3%	\$ 5,479	-97.5%	\$ 3,630,471	7.6%
2016	\$ 3,096,000	8.4%	\$ 563,655	-26.7%	\$ 66,173	1,107.8%	\$ 3,725,828	2.6%
2017	\$ 3,219,170	4.0%	\$ 619,536	9.9%	\$ 191,940	190.1%	\$ 4,030,646	8.2%
2018*	\$ 3,379,397	5.0%	\$ 1,786,848	188.4%	\$ 348,019	81.3%	\$ 5,514,264	36.8%

Revenues generated by the County Assessor are deposited in the Assessment Fund. The historical funding is presented below:

County Assessor Assessment Fund (211) – Revenues Fiscal Years 2008-2013						
Fiscal Year	Mapping & Platting Fees	State & Political Subdivision Funding	County Funding	Miscellaneous Revenue	Total Revenue	Fees Collected by the Assessor as a Percentage of Expenditures
2013	\$1,505	\$3,784,483	\$79,732	\$56,686	\$3,922,406	112.6%
2014	\$1,679	\$4,022,219	\$84,735	\$112,243	\$4,220,876	125.1%
2015	\$1,580	\$4,053,363	\$85,793	\$67,485	\$4,208,221	115.9%
2016	\$1,616	\$4,300,460	\$87,265	\$101,687	\$4,491,028	120.5%
2017	\$872	\$4,450,533	\$87,409	\$149,412	\$4,688,226	116.3%
2018*	\$1,500	\$4,496,500	\$91,574	\$80,000	\$4,669,574	84.7%

* These are the approved budget amounts from the 2018 budget.

Staffing:

The number of full-time equivalent authorized positions for the County Assessor remained constant at 54.0 full-time positions from 2013 through 2018. Note: There is one manager and three clerical positions not funded in the 2018 budget.

II. STATUS BOARD

The status board provides a summary of the County Assessor’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 current action necessary.
- 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.

Real Estate/ Special Assessments Divisions

Appraisal/ Reassessment	Assessment Approaches	Market Research	Land Valuation	Occupancy	Tax Exemptions	Special Taxing Districts	Field Audits/ Reviews
By law, all real estate (Agriculture, Residential & Commercial) in the County is reassessed in odd numbered years.	There are 3 methods of valuation: Cost, Market, and Income for improved property.	Data is tracked for purchase prices, construction costs, and lease and vacancy rates.	Land is assessed as agricultural or investment.	New construction is added to the tax rolls as occupancy occurs.	RSMo 137.100 and 137.110 define tax exempt entities.	Municipalities creating a special taxing districts (TIF, Section 100 & Section 353) must send a copy of the ordinance to the Assessor.	Businesses that have not filed or filed an unreasonable declaration are identified.
In even numbered years, only new construction and improvements are assessed.	During reassessment all residences are valued as of 1/1 of odd year using trended analysis method before cost or market approach method.	Sales information is tracked on Certificates of Value received from the Recorder of Deeds.	Investment land is valued using cost or market approach based on the area and available information.	The addition is made when 2 of 5 possible proofs of occupancy have occurred. Proofs include:	Non-governmental entities file an application with the Assessor.	GIS adds the district to the County maps.	A request is sent to all businesses to submit a listing of property.
Field appraisers travel to properties from June (even year) to March (odd year) for reassessment appraisals.	COST: Marshal Swift value tables are used to assess property improvements.	Requests for information are sent to Commercial businesses in March, and again in April if necessary.	Agricultural land is assessed using soil grade maps and values established by the State.	1. An occupancy permit is issued.	The application is reviewed to determine if the entity qualifies for and the type of exempt status.	TIF: A base value for the district is calculated. Developer receives tax generated on assessed values above base value to pay for infrastructure costs until issued bonds repaid.	If no listing is returned, the Field Investigator will make a site visit to compile a list of property.

Appraisal/ Reassessment	Assessment Approaches	Market Research	Land Valuation	Occupancy	Tax Exemptions	Special Taxing Districts	Field Audits/ Reviews
New construction is reviewed year-round.	The tables are adjusted with a cost multiplier based on occupancy sales in St. Charles Co.	Data is also gathered from trade groups, market publications, etc.	State soil values uploaded into CAMA.	2. The Recorder of Deeds receives a transfer of ownership.	Exempt entities are reviewed every 2 years to ensure they still qualify as exempt.	TIF properties are assigned a TIF code in CAMA.	If a listing is submitted, it will be reviewed for any discrepancies.
Notices of assessed value are mailed to owners in late March-early April.	The values are applied to individual property improvements and totaled to determine assessed value.	Information is uploaded into CAMA and spreadsheets to assist with property valuation.	GIS enters the parcel data onto the County maps.	3. A new utility connection is verified.	An annual report on tax exempt entities is due to the STC by November 1 st .	The TIF value is updated annually to show incremental increases in value.	Any irregularities will be investigated.
Property values and information are tracked in the CAMA database system.	MARKET: The County is divided into neighborhoods and then further by architectural style.		Parcels are reviewed to determine if they are used for agriculture.	4. The occupant enters a change of address with a government agency.		Reports of TIF Districts are created and periodically sent to the appropriate parties.	
	Trend sale studies are done for each neighborhood (& style) to determine a price/sq. ft. for home types. Values are adjusted based on individual property characteristics.		Commercial and residential land are not separately valued from improvements unless requested.	5. Visual inspection by an Assessor employee.		When the TIF bonds are repaid, codes are removed from the affected properties and they are taxed regularly.	
	INCOME: The income method is used for investment (rental) and some commercial properties. The value is based on capitalized yearly income as determined by market research.			After verification, the property is appraised, and a notice is mailed to the owner.		Ch. 100: Parcels owned by exempt political subdivision that is leased to 3 rd party.	
						Parcel is coded in CAMA. Political Subdivision is notified of property value, but taxable value is \$0.	
						An annual report on tax exempt entities is due to the STC by November 1 st .	

Appraisal/ Reassessment	Assessment Approaches	Market Research	Land Valuation	Occupancy	Tax Exemptions	Special Taxing Districts	Field Audits/ Reviews
						Ch 353: Taxing district provides a frozen (set period) and then reduced taxable value for up to 25 years to developer.	
						Ch 100 & 353 parcels' full value taxed upon change of title or end of reduction period.	

Personal Property/ GIS Mapping Divisions & Administrative

Personal Property Valuation	Mobile Homes/ Marinas/ Planes	Map Development	Map Sales	CAMA Database	Maintenance Plan	Appeals	Administrative
Personal property is appraised as of January 1 st of each year.	Mobile homes, boats and planes should be listed on the personal property declarations.	GIS techs enter parcel legal descriptions based on deeds sent from the Recorder.	Citizens can purchase copies of aerial and other maps stored in the database.	Assign and maintain user roles with CAMA (A1).	Per RSMo 137.115, the Assessor must prepare a plan for completing reassessment.	Property owners who disagree with their assessment can appeal the value.	Payroll
Declaration forms are mailed to property owners by Jan. 15 th . Forms may be filed electronically (online) or paper form (in-person or mail).	Mobile homes and planes are tracked by confirming listings with park and airport hangar owners (FAA listings).	Parcels are researched for any information not on the deed.	GIS process requests and prints the maps and delivers to clerks in the Taxpayer Information Room.	Data Processing processes data queries for Assessor employees.	The plan includes office operations, budgets, timelines, and job descriptions.	Informal appeals (suggested but not required) are held with Assessor employees.	Purchasing
Declarations must be returned by March 15 th or 2 nd notice by May 1 st face a penalty set by statute.	Tax payer files are updated to reflect the results of the listing reviews.	Maps are digitally drawn and uploaded into the Assessor database.	Receipts are recorded in MUNIS and customer given a receipt for appropriate fee.	Field Appraiser uses laptops to process changes in the field which are updated into the database.	The plan is approved by the County Council.	Informal hearings are tracked on an Informal Meeting Sheet.	Change Fund/ Petty Cash (A2)
The returned forms are processed and scanned into the database system.	Trailer parks, marinas, and hangars may be reviewed by the Field Investigator.	Spreadsheets are used to track deeds and map process completion.		Database wide changes (tables, multiplier rates, etc.) are uploaded into CAMA.	Assessor send to the State Tax Commission by February 1 st for approval.	Taxpayers bypassing or unsatisfied with the informal hearings can appeal to the Board of Equalization.	Performance Measures

Personal Property Valuation	Mobile Homes/ Marinas/ Planes	Map Development	Map Sales	CAMA Database	Maintenance Plan	Appeals	Administrative
Personal property is valued using NADA guides as required by RSMo 137.115 or another acceptable source, if applicable.					The plan is required for the Assessor to receive State cost-share funds.	The result of the BOE hearing can be appealed to the State Tax Commission (STC).	
Values can be adjusted for factors such as high mileage.						Either the owner or the Assessor can appeal to the BOE or STC.	
						The STC decision can be appealed to the State Court of Appeals.	
						Values updated as required and necessary.	

III. EXECUTIVE SUMMARY

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

A. Control Opportunities

1. *Database Access:* A review of database controls revealed an opportunity for improved procedures.
2. *Petty Cash:* A review of the petty cash fund revealed: 1) The fund is infrequently replenished (approximately twice per year); and 2) The petty cash log does not provide the name of who receives the reimbursement.

Control – Database Access

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The County Assessor uses Aumentum Valuation - CAMA software, a property assessment database, to process appraisals. A user name and password are required to access the application and assigned user rights assigned are based upon an employee's duties or need to view information.</p>	<p>During a review of database access controls, the following was noted:</p> <ol style="list-style-type: none"> 1) There are five inactive employees with active access to the application (four with change rights and one with view only access); 2) User passwords are not required to be changed on a periodic basis; and 3) There are eleven administrative users (ten County and one General). 	<p>Potential for unauthorized access or misuse of the application.</p>	<p>The County Assessor should:</p> <ol style="list-style-type: none"> 1) Review and update the process for notification and updating of terminated employees' CAMA user accounts; 2) Consider requiring periodic password changes; and 3) Consider adding periodic reviews of users and assigned access to determine needed updates. 	<p>Upon receipt of qualifying departure from the Assessor's Office, Data Management/network engineer will be sent copy of notification to disable account. Review of CAMA rights are monitored based on level of entry and responsibilities.</p>

Control – Petty Cash

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The Assessor's Office maintains a petty cash fund (\$100) and change fund (\$50). Purchases made or reimbursed through the petty cash fund are for small office items, lunch receipts, and postage shortages. The change fund is used to provide change to customers who purchase maps.</p>	<p>A review of the petty cash fund revealed:</p> <ol style="list-style-type: none"> 1) The fund is infrequently replenished (approximately twice per year); and 2) The petty cash log does not provide the name of who receives the reimbursement. <p><u>Note:</u> The log only lists the date, description, and amount.</p>	<p>The opportunity for improved record keeping and effective use of resources.</p>	<p>The Assessor should:</p> <ol style="list-style-type: none"> 1) Determine if the current petty cash fund balance is necessary and consider reducing the amount based on usage; and 2) Add the employee name who received the reimbursement to the activity log. 	<p>Employee(s) name and reason will be added to petty cash disbursement.</p>