

WHAT IS AN ASSESSMENT AUDIT?

**PRESENTED TO THE RHODE ISLAND
ASSOCIATION OF ASSESSING
OFFICERS**

What is an Audit

- The general definition of an **audit** is a planned and documented activity performed by qualified personnel, other than those responsible for the activity, to determine by investigation, examination, or evaluation of objective evidence, the adequacy and compliance with established procedures, or applicable documents, and the effectiveness of implementation. - *Wikipedia*

What is an Assessment Audit

- Like all other audits an assessment audit is the systematic and independent examination of data, statements, records, operations and performances of an Assessor's Office for a stated purpose.
- The audit can be comprehensive or limited in scope
- Often called a **Review** rather than an Audit

Types of Reviews

- Scope of the Review to be determined by the Client
- Full Review
 - Covers all areas of assessment practices and valuation
- Limited Review
 - Restricted to defined area as set forth in the scope of work

Why is an Audit or Review Performed

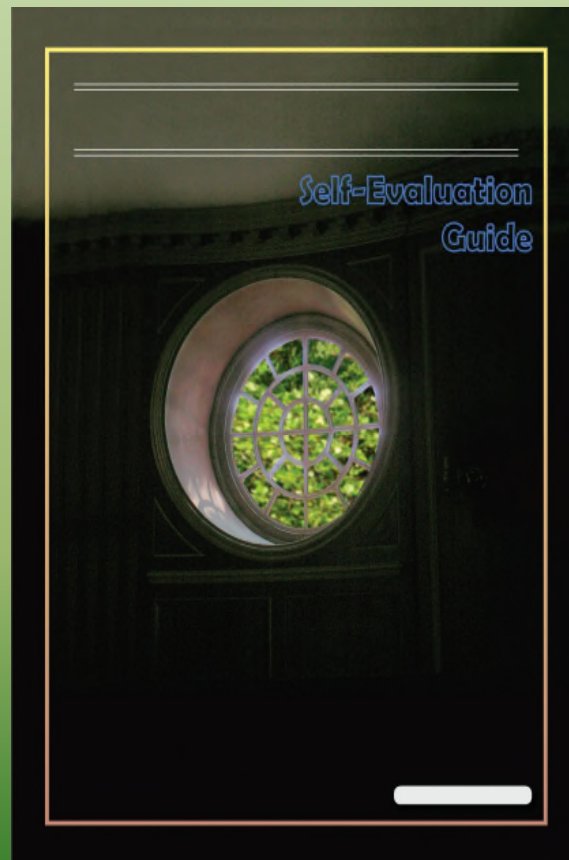
- To prove or disprove that something is true or false
- Seeking to document and improve a process or set of processes
- Assist the assessment process by providing greater public trust and confidence
- Independent review of a revaluation

- Provide for a more thorough awareness of and adherence to Best Practices
- To offer opinions and suggestions for improvement on a particular process
- Assistance in attaining the IAAO Certificate of Excellence in Assessment Administration (CEAA)

Audit Standards

- Review is done to relate practices with established procedures
 - State Statutes and Regulations
 - IAAO is the leader in setting standards for the Assessment Profession
 - 2 sets of documents
 - Technical Standards
 - Currently 15 Standards issued
 - See “*Guide to Assessment Administration Standards*”

- *Assessment Practices Self-Evaluation Guide*,
Fourth edition
- Also used for the CEAA



Who Does Reviews

- IAAO – Technical Assistance Program
- TEAM Consulting
- Other Individuals and Companies offer review services to Assessors

What Areas Does a Review Cover

- Administrative
- Valuation
- Statistical Compliance
- Appeals

Administration

- Where does the Assessor's Office fit in the municipality organization chart
 - are the lines of communication between the office and leadership open and appropriate
 - does the office have the appropriate level of authority and responsibility
 - are the two in balance
- Office Organization Chart
- Is the Budget adequate
- Is staffing appropriate and adequate
- Is the staff adequate trained
 - Continuing Education
 - Certifications and Designations held by staff
- Is space appropriate

How are the following Processes Being Applied?

- Sales file
- Cost Approach
- Income Approach
- Land Values
- Comparable Sales
- Time Trends
- Physical inspections of Properties

- Public Relations
 - Web Site
 - Mailing and notices
 - Other information available to taxpayers in the office
- Vendors/Third Parties
 - Who are the vendors
 - What functions are they performing
 - Why are they performing these functions
 - How well are they performing

- Computer Systems

- CAMA system

- Administration system

- Is hardware and software adequate for needs

- Speed/Flexibility/Ease of Use

- Data Backup and storage

- Security

- Edit checks/Audit Trail

- **Mapping**

- Is it current?
- Update Process
- Speed/Flexibility/Ease of Use
- Quality Control Procedures
- Computerized? GIS or paper
- Parcel numbering system

VALUATION/COMPLIANCE

- Data Accuracy
- Field Review
 - Optional reinspection of sample of properties
 - Residential
 - Commercial
 - Usually Exterior only
 - Alternative is a desktop review
 - Using street and aerial oblique images (if available)
- This is a costly option

- Procedural (Specific to the jurisdiction)
 - Compliance with State requirements
 - Statutes
 - Regulations
 - Appraisal Process
 - Appeals Process
 - Number of Appeals
 - History
 - Types of Property being appealed
 - Situs of the appeals i.e. is there particular neighborhoods
 - How are appeals handled and where heard

- Frequency of Property Reviews and age of current reviews
- New Construction Processes and relationships with permitting agencies
- How is computer model being calibrated
- How is computer model being specified
- How recent have the table values been reviewed and updated
- What is the parcel inventory system and what is the relationship between the Assessor and that agency (mapping, GIS, parcel splits and combines)

TESTING

- Requires assessment date and sales downloaded and transfer to the Reviewer
- State or other oversight agency may issue standards
- IAAO Standard on Ratio Studies is the standard that should be used if State requirement do not exist

Statistical Standards

- Assessment Level
- Uniformity
- Reliability
- Vertical Inequities

Assessment Level

- Median
- Arithmetic Mean
- Weighted Mean

Uniformity

- Coefficient of Dispersion (COD)
- Range
- Percentiles
- Quartiles
- Coefficient of Concentration

Reliability

- Confidence Interval
 - Needed in order to ensure validity and precision of the statistical analysis

Vertical Inequities

- Price Related Differential (PRD)
- Coefficient of Price Related Bias (PRB)

Additional Analysis If needed

- Stratification of Date Samples
- Scatter Plots
 - Size
 - Age
 - Type of Property
 - Location

Conclusion - Why Do an Audit/Review

- Recognition of the Jurisdiction excellence by the Public
- Setting of Baseline when there is a change in Assessor
- Increase Public Trust in the Assessor's Office and the Appraisal Process
- Improvement of Assessment Practices
- Improved Office and Staff Pride
- Professional Growth of Staff
- Basis for Future Improvement and Budgets
- Basis for the CEAA

Questions?

- Happy to take any questions and discuss this topic

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