

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2014-001 The County Assessor's Office did not comply with state law when it adjusted a previously certified property value.**

#### ***Background***

County Assessors are charged with certifying the value of real property on an annual basis. After certification, property owners who disagree with their assessment can appeal through their County Board of Equalization (BOE). In limited instances, such as for manifest errors, the Assessor can make adjustments after the property values are certified. A manifest error is an error in listing or assessment, which does not involve a revaluation of property, such as erroneous measurements or double assessments.

We followed up on a citizen concern about an \$83,078 reduction in property value on a parcel owned by relatives of an Assessor's Office employee. The owners of the parcel appealed to the BOE but did not attend the hearing or provide documentation and the BOE upheld the original assessed value.

#### ***Description of Condition***

After certification of the 2013 property assessments and the BOE hearing, the Assessor lowered the 2013 land value on the property referenced by the citizen. We found this adjustment did not comply with state law.

The Assessor stated the adjustment was performed to correct a manifest error caused by a lack of consideration for a development restriction when the properties were valued and certified. We found that the development restriction had been considered when determining the 2013 property values. In addition, the adjustment does not qualify as a correction of a manifest error as it was done using appraisal judgment. State law defines a manifest error as one that does not require appraisal judgment or revaluation of the property. Also, the correction of this type of manifest error would require the correction of all parcels affected, which did not occur.

During our audit, we evaluated the adjustment for compliance with state law; we did not evaluate the Assessor's intent when making the adjustment.

#### ***Cause of Condition***

The Assessor stated that he was aware of two other cases where the BOE had lowered property values in proximity to the parcel referenced above. He agreed

with the BOE that these two parcels were overvalued and believed that he had the authority to adjust the parcel referenced by the citizen as a correction of a manifest error.

### ***Effect of Condition***

The property owner was given tax relief for which they did not qualify under state law. The taxes not collected on this property become a burden to other property owners the following year.

### ***Recommendation***

We recommend the County comply with state law pertaining to adjustments of property values and refer citizens or concerns to the BOE or other regulatory agencies when appropriate.

### ***County's Response***

*The County Assessor's primary duty is determining the value of taxable property to allow equitable distribution of tax liabilities. To accomplish this, state law requires the Assessor to value all property at one hundred percent of its true and fair value. The assessor has an obligation to correct known errors. The Assessor's duty and state law extend to every property owner in Clark County, regardless of their relationships.*

#### ***Manifest Error Based on Past Work in Area and Recent BOE Decisions***

*Since 2011, the Assessor's Office has studied and adjusted the mathematical model which generates property values in this area of Clark County. This includes a region-wide change in 2012 driven by a large number of calls from property owners. All of this work was necessary to account for the complex combination of land use laws impacting these rural properties including development restrictions and being moved into the City of Vancouver urban growth boundary.*

*The Washington Department of Revenue has administrative oversight of property taxation in the state. They encourage property owners who disagree with their valuation to file an appeal with the County Board of Equalization (BOE) and to directly contact the County Assessor's Office to settle their concerns.*

*The owner of the property identified in the auditor's finding filed an appeal with the BOE in August 2013. At that time, their next door neighbor also filed an appeal as did another neighbor across the street. All three properties are considered similar in nature by the Assessor's Office. In April and July 2014, the BOE determined via hearing with the appellants that the two neighboring properties were overvalued and reduced their valuation. However, the property*

*owner from the auditor's finding did not appear at their scheduled BOE hearing. As such, the BOE was required by state law to uphold the original valuation established by the Assessor's Office even while the BOE reduced the value of the similar adjacent properties. Subsequent to receiving the BOE decision to uphold the original value, the property owner identified in the finding contacted the Assessor's Office and we investigated their circumstances.*

*Based on the difficulties experienced assessing property values in this particular area in the past and the recent BOE decisions, the County Assessor determined that the model may not be valuing all properties appropriately – a manifest error classified by the DOR as a misapplication of statistical data. In September of 2014 the value of the property referenced in the finding was reduced to its true and fair value as required by state law and in line with BOE decisions on neighboring properties. In early 2015, the Assessor's Office began a new study to determine which subset of properties in the area may not be properly valued by the model.*

#### *County Will Respect DOR Decision on Application of Manifest Error*

*The Clark County Assessor's Office appreciates the SAO working with the Department of Revenue (DOR) to evaluate this complex issue. Further, we respect the DOR's decision that this situation does not meet the definition of a manifest error. We will work with the DOR to improve our policies and procedures involving the application of manifest error in the future and will seek remedies of either reconvening the Board of Equalization or appealing the value to the State Board of Tax Appeals. However, our office also intends to complete our study of this area to ensure property in Clark County continues to be valued in accordance with state law and that all property owners are treated equitably.*

#### ***Auditor's Remarks***

We appreciate the Assessor's commitment to resolve this finding and thank the Assessor's Office for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

#### ***Applicable Laws and Regulations***

RCW 84.40.030 Basis of valuation, assessment, appraisal – One hundred percent of true and fair value – Exceptions – Leasehold estates – Real property – Appraisal – Comparable sales, states in part:

- (1) All property must be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.

RCW 84.48.065 Cancellation and correction of erroneous assessments and assessments on property on which land use designation is changed, states in part:

- (1) The county assessor or treasurer may cancel or correct assessments on the assessment or tax rolls which are erroneous due to manifest errors in description, double assessments, clerical errors in extending the rolls, and such manifest errors in the listing of the property which do not involve a revaluation of property, except in the case that a taxpayer produces proof that an authorized land use authority has made a definitive change in the property's land use designation. In such a case, correction of the assessment or tax rolls may be made notwithstanding the fact that the action involves a revaluation of property. Manifest errors that do not involve a revaluation of property include the assessment of property exempted by law from taxation or the failure to deduct the exemption allowed by law to the head of a family.

WAC 458-14-005 Definitions, states in part:

- (14) "Manifest error" means an error in listing or assessment, which does not involve a revaluation of property, including the following:
  - (a) An error in the legal description;
  - (b) A clerical or posting error;
  - (c) Double assessments;
  - (d) Misapplication of statistical data;
  - (e) Incorrect characteristic data;
  - (f) Incorrect placement of improvements;
  - (g) Erroneous measurements;
  - (h) The assessment of property exempted by law from taxation;
  - (i) The failure to deduct the exemption allowed by law to the head of a family; or
  - (j) Any other error which can be corrected by reference to the records and valuation methods applied to similarly situated properties, without exercising appraisal judgment.