



Washington State Auditor's Office

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Accountability Audit Report Grant County

For the period January 1, 2014 through December 31, 2014

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Washington State Auditor's Office

May 5, 2016

Board of Commissioners
Grant County
Ephrata, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for County operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the County's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary	4
Schedule Of Audit Findings And Responses	5
Related Reports	11
Information About The County	12
About The State Auditor’s Office	13

AUDIT SUMMARY

Results in brief

In most areas we audited, County operations complied with applicable requirements and provided adequate safeguarding of public resources. The County also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the County could make improvements.

We recommended the County improve internal controls in the Assessor's Office in order to ensure assessed property values are accurate. This recommendation was included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of Grant County from January 1, 2014 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the County's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- County Assessor
- Self insurance program
- Credit cards disbursements
- Restricted revenue use
- Treasurer's investment activities
- Fairgrounds cash receipting
- Procurement of public works projects

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 Grant County has inadequate controls over property assessments to ensure property assessments are accurate and timely.

Background

The County Assessor's Office is responsible for the valuation of approximately 53,500 real property parcels. Assessed value of these parcels totaled approximately \$7.5 billion in 2014. The County Assessor's Office is responsible for designing and implementing internal controls adequate to ensure assessments are accurate and timely.

Junior taxing districts rely on timely and accurate tax information to develop annual operating budgets. Late and inaccurate information affects their ability to do so in a timely manner. In addition, inaccurate assessments result in an inequitable tax burden on the citizens of the Grant County.

Description of Condition

The Assessor's Office lacks adequate independent monitoring or review over key systems to ensure accuracy or timeliness in reporting. Specifically, we identified the following deficiencies:

- The Chief Appraiser did not properly classify parcels.
- The Assessor's Office failed to upgrade its cost tables the first available year, impacting assessed property value within Grant County.
- The Assessor's Office did not have an effective process in place to assess all new construction within 12 months, as required by the state law (RCW 36.21.070).
- The Assessor's Office did not maintain adequate documentation to demonstrate it revalued real property in accordance with State law (RCW 84.41.030), requiring the County to follow a precise revaluation schedule and reconcile assessed value to tax billings.
- No one independently reviewed staff entry or approval of either personal property values or property tax exemptions into the tax software, which increased the likelihood of error.

Cause of Condition

The Assessor's Office did not dedicate the time or resources necessary to ensure key staff had the technical knowledge to accurately classify and assess property values. Also, it failed to provide adequate monitoring and review of data entry to ensure assessed values and exemptions were properly entered. Finally, the Assessor's Office did not use the most up-to-date cost tables, further impacting final assessed values.

Effect of Condition

The County's assessed values may be inaccurate as a result of noted conditions. To identify likely inaccuracies, the Department of Revenue (DOR) provides an annual ratio analysis between the market value determined by DOR and the assessed value determined by the County.

The International Association of Assessing Officers standards require the ratio to fall between 0.90 and 1.10. The following table depicts Grant County's ratios, which have been the lowest in the state in each of the prior two years. The County's ratios cannot be supported, as they failed to maintain documentation demonstrating their real-property revaluation.

	2013	2014
Real	0.88	0.79
Personal	0.96	0.97
Combined	0.88	0.80
<i>Allowable</i>	<i>0.9 – 1.10</i>	<i>0.9 – 1.10</i>

The lack of accurate assessments, timely valuation and reporting of new construction, and the use of an outdated cost table resulted in a risk that an inequitable tax burden has been placed upon the property owners in Grant County. This risk is amplified due to the lack of controls over parcel classification, timely assessments of new construction, implementation of current cost tables, and entries of property-tax exemptions and personal-property values.

Recommendation

We recommend the County design and implement internal controls adequate to assess property values accurately and timely, including verification that updated cost tables are used; and an independent review is performed over all data entries to determine accuracy and completeness. Further, we recommend the County maintain adequate documentation supporting all valuations, including real-property

revaluations and new construction appraisals to ensure the Department of Revenue can perform useful calculations during their reviews.

County's Response

First I would like to start with a thank you to you and your staff during this Audit. It was perfect timing as I had just come into office and was starting to identify the deficiencies to implement new policies to conform to State Law and best practices. I will address each item listed.

- 1. The Chief Appraiser did not properly classify parcels.*
 - If this means Department of Revenue codes, we agree. It could stem from the former Chief Appraiser's lack of experience, and unfamiliarity with the County and the office's historical procedures.*
 - Due to multiple reasons, the former Chief Appraiser was terminated in August 2015. I have hired a new Chief Appraiser from within the Assessor's Office and she is tasked with the cleanup which will take a few years to catch everything.*
- 2. The Assessor's Office failed to upgrade its cost tables the first available year, impacting assessed property value within Grant County.*
 - This is correct. Apparently historically there was a significant lack of confidence in the software's ability to successfully transfer to new rates, as has been the case this year when we did go to the new cost tables. Statistical adjustments partially compensated for the old cost tables impact on property value, however the appraisal staff was directed by the former Assessor to keep ratios low that year, again due to the lack of confidence in the software program.*
 - For the 2016/2017 year, I updated the cost tables to the newest available cost tables (2013) and am working with the software vendor to get the County a refund for the years that the County paid for upgrades, but did not get them.*
- 3. The Assessor's Office did not have an effective process in place to assess all new construction within 12 months, as required by the state law (RCW 36.21.070).*
 - Prior to 2014 there was an effective process in place to assess all new construction, however, this was overridden by the former Chief Appraiser due to a lack of time to complete new construction; a lack*

of understanding of the overall flow of the Assessor's office and the lack of management experience.

- *We currently pick up construction as we go in the revaluation area and have added another appraiser position to help with overall workload and pick up new construction.*
4. *The Assessor's Office did not maintain adequate document to demonstrate it revalued real property in accordance with State law (RCW 84.41.030), requiring the County to follow a precise revaluation schedule and reconcile assessed value to tax billings.*
- *This is agreed and we will be following the revaluation plan filed with Department of Revenue (DOR) in 2015. I am aware of previous administration changing issues with revaluation processes and not communicating with DOR. I communicate with DOR on a constant basis and am working with them on best practices.*
5. *No one independently reviewed staff entry or approval of either personal property values or property tax exemptions into the tax software, which increased the likelihood of error.*
- *I agree with this and have implemented a check system for both personal property and tax exemptions.*
 - *The former Chief Appraiser had no working knowledge of either personal property or the exemption program. The current Chief Appraiser has a close working relationship with the Personal Property Deputy and the former Exemption Deputy who is still handling the exemptions until a new deputy is hired. Both positions are audited annually by DOR.*
 - *The current Assessor also randomly inspects personal property accounts and the exemption program.*

I look forward to working with your office in the future. Thank you for your time and your courtesies.

Auditor's Remarks

We appreciate the County's willingness to address conditions noted during our audit. We look forward to reviewing the results of the County's efforts during our future audits.

Applicable Laws and Regulations

RCW 36.21.070, New construction building permits—Appraisal of building, states:

Upon receipt of a copy of a building permit, the county assessor shall, within twelve months of the date of issue of such permit, proceed to make a physical appraisal of the building or buildings covered by the permit.

RCW 36.21.080, New construction building permits—When property placed on assessment rolls, states:

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year.

RCW 84.41.030, Revaluation program to be on continuous basis – Revaluation schedule – Effect on other proceedings on valuation, was amended by session law effective July 2015. The version of this statute applicable during the audit period states in part:

(1) Each county assessor shall maintain an active and systematic program of revaluation on a continuous basis, and shall establish a revaluation schedule which will result in revaluation of all taxable real property within the county at least once each four years and physical inspection of all taxable real property within the county at least once each six years. Each county assessor may disregard any program of revaluation, if requested by a property owner, and change, as appropriate, the valuation of real property upon the receipt of a notice of decision received under RCW 36.70B.130 or chapter 35.22, 35.63, 35A.63, or 36.70 RCW pertaining to the value of the real property.

(2) Not later than January 1, 2014, all taxable real property within a county must be revalued annually and all taxable real property within a county must be physically inspected at least once each six years. This mandate is conditional upon the department of revenue providing the necessary guidance and financial assistance to those counties that are not on an annual revaluation cycle so that they may

convert to an annual revaluation cycle including, but not limited to, appropriate data collection methods and coding, neighborhood and market delineation, statistical analysis, valuation guidelines, and training. The department will provide advisory appraisals of industrial properties valued at twenty-five million dollars or more in real and personal property value when requested by the county assessor.

RCW 84.41.060, Assistance by department of revenue at request of assessor, states:

Any county assessor may request special assistance from the department of revenue in the valuation of property which either (1) requires specialized knowledge not otherwise available to the assessor's staff, or (2) because of an inadequate staff, cannot be completed by the assessor within the time required by this chapter. After consideration of such request the department of revenue shall advise the assessor that such request is either approved or rejected in whole or in part. Upon approval of such request, the department of revenue may assist the assessor in the valuation of such property in such manner as the department of revenue, in its discretion, considers proper and adequate.

RELATED REPORTS

Financial

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the County's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal program, which is listed in the Federal Summary section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE COUNTY

Grant County is located in central Washington and is one of the state's largest counties in geographic size. The County serves approximately 89,000 residents.

An elected, three-member Board of Commissioners governs the County. Seven additional elected officials monitor and administer County programs including Assessor, Auditor, Clerk of the Court, Coroner, Prosecutor, Sheriff and Treasurer.

The County operated on an approximately \$100 million budget in 2014. It has 680 employees who provide an array of services including sheriff/law enforcement, fire prevention, road improvement, judicial administration, health and social services, recreation and general administrative services. The County also operates a sanitary landfill and multiple transfer stations located throughout the County.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for Grant County at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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