

Audit Report

Property Tax Assessment Appeals Boards

September 2016



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

September 12, 2016

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Property Tax Assessment Appeals Boards for the period beginning July 30, 2012 and ending November 11, 2015. The Boards consist of the local boards established in each of the State's 24 local jurisdictions to hear appeals of property tax assessments.

Our audit disclosed that the Boards had a backlog of 9,717 assessment appeals cases as of December 2015, which were primarily attributable to two jurisdictions that had a combined backlog of 8,187 cases. During calendar year 2015, the local boards collectively heard 10,898 cases.

The Boards' response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by the Boards.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Property Tax Assessment Appeals Boards consist of the local boards, which have been established in the 24 local jurisdictions to hear appeals of property tax assessments, and an administrative office located in Hagerstown. Each local board consists of three members, and in most jurisdictions one alternate member, who are appointed by the Governor for five-year terms. According to the State's records, the Boards' fiscal year 2015 operating expenditures totaled approximately \$1.0 million and primarily consisted of local Boards' expenses.

Findings and Recommendations

Assessment Appeals Hearings

Finding 1

The Boards had a significant backlog of 9,717 appeals cases awaiting hearings as of December 2015.

Analysis

The Boards had a backlog of 9,717 property tax assessment appeals cases awaiting hearings as of December 2015, primarily in Baltimore City and Prince George's County which had backlogs of 6,058 and 2,129 cases, respectively. As shown in the table below, the number of cases received and the related backlog increased significantly during calendar year 2015. Specifically, the Boards received 15,833 appeals during calendar year 2015 and heard 10,898 cases, with additional cases being either settled or withdrawn during the year.

Certain local boards, such as the boards in Baltimore City and Prince George's County, will spend a significant amount of time during calendar year 2016, and possibly beyond, hearing appeals for the backlogged cases. For example, the local board in Baltimore City heard

3,015 appeals during calendar year 2015 compared to its backlog of 6,058 as of December 2015. While there is no legal requirement for an appeal to be heard

Appeal Activity for All Local Boards Calendar Years 2012 through 2015

Appeals	2012	2013	2014	2015
Received	12,670	12,722	11,573	15,833
Backlog (as of 12/31)	7,093	7,651	7,346	9,717

Source: Boards' Records

within a specified period from the date it is filed, the backlog could result in long delays for property owners.

In addition to the significant increase in appeals received, Board management advised us that the backlog was the result of a delay in local jurisdictions recommending new appointees to the Governor to fill local assessment appeals board vacancies.

Recommendation 1

We recommend that the Boards develop a strategy for eliminating the backlog of appeals cases awaiting hearings, particularly those in Baltimore City and Prince George's County.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Property Tax Assessment Appeals Boards for the period beginning July 30, 2012 and ending November 11, 2015. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Boards' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included maintenance of payroll records and appeals case management.

Our audit did not include a review of certain support services provided to the Boards by the State Department of Assessments and Taxation. These support services (such as payroll processing, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Department.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Boards' operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The Boards' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

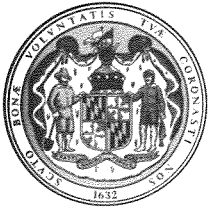
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Boards' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

The Boards' response to our finding and recommendation is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Boards regarding the results of our review of its response.

APPENDIX



STATE OF MARYLAND

Property Tax Assessment Appeals Board

1 W. Washington Street
Hagerstown, Maryland 21740

Lawrence J. Hogan, Jr.
Governor

Boyd K. Rutherford
Lt. Governor

Kent T. Finkelsen
Administrator

Julie M. Greene
Executive Associate

September 7, 2016

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 W. Preston Street
Baltimore, Maryland 21201

Dear Mr. Barnickel,

PTAAB is in agreement with the conclusions of the recent legislative audit regarding the Property Tax Assessment Appeal Boards. There has been a marked increase in the number of cases awaiting hearings during the audit period.

The report and its recommendations are sound and PTAAB has already started to implement the reports recommendation.

PTAAB has had an excellent working relationship with the Governor's Appointment Office and believes the problem filling open board positions lies within local jurisdictions. After numerous discussions with local jurisdictions, they have begun sending lists to the Appointment's Office for their consideration in filling vacant and expired board member positions.

Secondly, after discussion with PTAAB's five Metropolitan boards, Anne Arundel, Baltimore, Montgomery and Prince George's Counties have agreed to meet at least one more day each week starting in November of 2016 and Baltimore City will increase the number of hours they meet each week once the board is fully staffed.



PTAAB feels the report was accurate in its finding and believe that the changes we have implemented will significantly reduce the backlog of cases before PTAAB.

Thank you for your help in this matter,

A handwritten signature in black ink, appearing to read 'Kent Finkelsen', with a long horizontal stroke extending to the right.

Kent Finkelsen
PTAAB Administrator

KTF:jmg

AUDIT TEAM

Adam J. Westover, CPA
Audit Manager

Karen J. Howes
Senior Auditor