

Property Valuation Division and the Tax Collection and Records Management Division

Introduction

The purpose of this report is to communicate the results of our general review of the Property Valuation Division and the Tax Collection and Records Management Division. This review of the two Divisions was conducted at the request of the Director of the Department of Environmental Services.

This general review did not look in detail into each of the areas covered in this report, rather it merely identified possible areas that might benefit from further review. Although we will not audit these areas at this time, management may wish to explore them further and take action as appropriate. The review consisted primarily of interviews with managers, review of budgets and other financial reports, and review of workpapers from prior audits.

Division Organization

The Division of Assessment and Taxation was divided into two Divisions in September 1997. According to the County's budget the mission of the two Divisions has not changed from that of the combined Assessment and Taxation Division - "to carry out all mandated functions within prescribed time frames with integrity, effectiveness, and excellent customer service, while prudently managing public resources."

Property Valuation Division

The Property Valuation division consists of Valuation which includes Residential Appraisal, Commercial and Personal Property Appraisal, Appraisal Support, Sales Ratio, and Exemptions; and Technical Support.

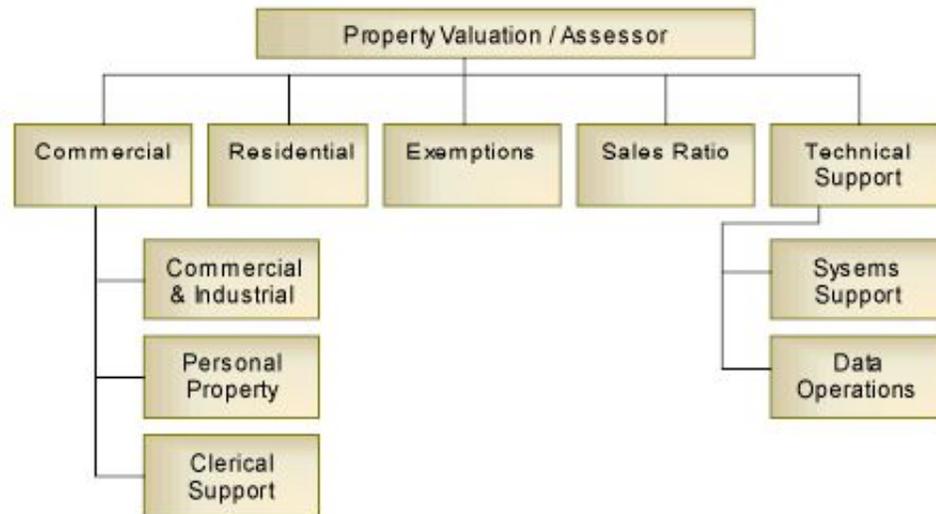


Exhibit 1

The Assessor must insure that properties are valued at real market value as required by state law and, more recently under Measure 50, determine a "maximum assessed value."

The majority of the staff for the Valuation Division work in the Residential and Commercial Valuation sections. The Appraisal Support Unit assists both Commercial and Residential Appraisal. Commercial appraisal includes three types of properties: commercial, personal property, and industrial.

When the division was split, the Technical Support unit, which provides support for both Divisions, went with the Valuation Division. Technical Support manages the computer systems; designs reports, prepares tax rates, and audits the tax roll; provides data entry services for appraisal, tax collection, accounting and recording operations; and acts as liaison with the County's Information Services Division (ISD).

Tax Collection and Records Management Division

The Tax Collection and Records Management Division consists of Record Management, which includes Mapping, Divisions, Deeds, and Recording sections; Tax Collections which consists of Information and Licensing, Tax Collections, the Tax Title Program, and support for the Board of Property Tax Appeals; and Accounting.

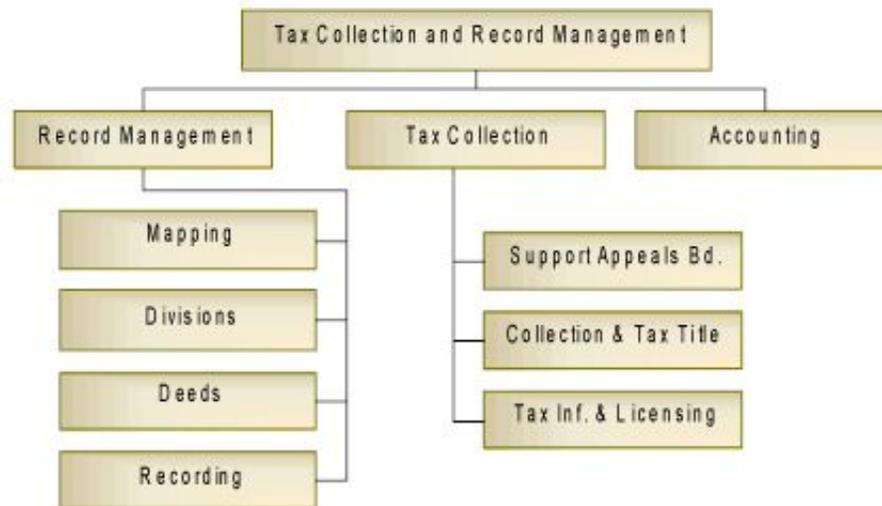


Exhibit 2

Records Management is the primary source for ownership changes to the Tax Roll. Divisions, Deeds and Mapping all process ownership and property line changes. The Recording Office records documents, mostly deeds and mortgage liens from title companies.

The Tax Collection section bills for property taxes, collects and processes payments, collects on delinquent accounts, and processes foreclosures. The Tax Information and Licensing Section provides information and assistance to the public, and handles marriage licenses and passport applications. The section also manages the tax foreclosed property program.

The Accounting sections handles all accounting related to property tax accounts, refunds, and distribution of taxes to the jurisdictions.

Funding Sources

Operations are primarily funded from the County's general fund and program fees. In 1990-91 the State began subsidizing county costs for appraisal functions through an increase in fees passed through the Oregon Department of Revenue. These fees were distributed to counties to assist their ability to comply with property tax laws, such as doing appraisals within the six year physical appraisal cycle. The subsidy was intended to assist counties through 1998, however, the legislature extended it for two more years, through June 2000. Nearly 20% of the Division's operations are paid from this subsidy.

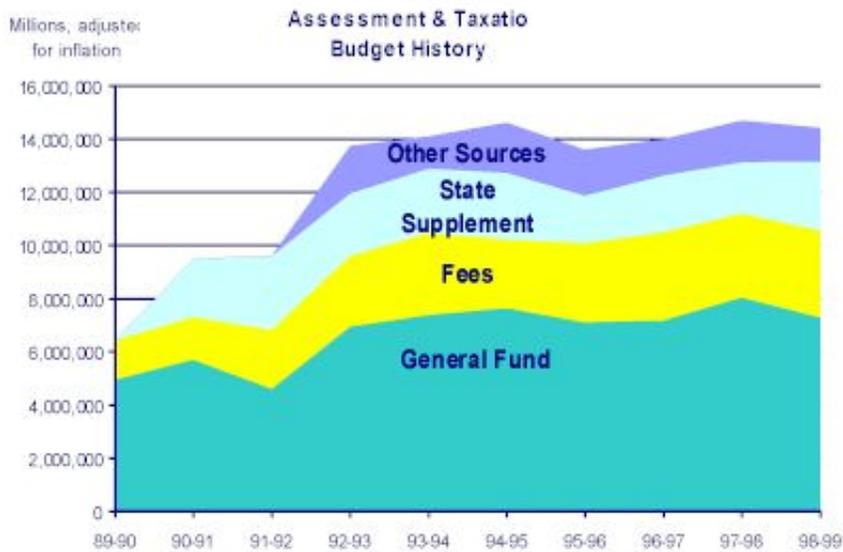


Exhibit 3

Changes and Challenges

Recent legislative changes in Oregon's property tax system have profoundly affected the Divisions. Other issue areas include reorganization and technology improvements and opportunities.

Legislative Changes

Measure 50, passed by voters in May, 1977 has significantly changed the property tax system. Under the new State Legislation, Oregon taxes are now based on tax rates with several caps on taxes, rather than on valuation which created the tax rates. Measure 50 also eliminated the six year reappraisal cycle which required a physical appraisal of all properties once every six years. Measure 50 created a new tax limit for property, called the "Maximum Assessed Value." This value can only increase 3% annually unless there have been improvements to the property. However, the assessor must continue to determine "real market value" of properties to determine compliance with Measure 5, which sets an additional limit. Some properties in Multnomah County will have tax limits determined by Measure 5.

As a result of Measure 50 the appraisal division has decreased by over one third, from 75 to 48 positions. This year's budget for FY1998-99 has restored 9 positions. The appraiser's role will change to include an emphasis on identifying new construction and remodeling which will increase valuation. There may also be more effort to verify the accuracy and usefulness of sales information used in the statistical analysis (Ratio Study) which determines the real market value.

To implement Measure 50, the Divisions had to change many procedures, forms, public information, and the process for calculating property taxes. The computer system required reprogramming at an estimated cost of \$750,000.

The Divisions were required to modify computer programs based on legislation that was not fully interpreted, many times second guessing the results, and then sometimes re-working the program as legislation was changing. Due to the short time frame available for the programming required to generate the property tax bills, modifications to other programs were delayed which adversely affected their operations as well. According to management, staff worked many extra hours, weekends, and cancelled vacation plans to successfully accomplish these changes.

The line supervisors developed and conducted training for all the customer service staff and also installed an auto attendant on the main information line and a small Interactive Voice Response (IVR) program in anticipation of the number of phone calls regarding the Measure 50 changes. According to many supervisors and managers this was the worst year in their careers with the County.

The effects of Measure 50 on the Divisions are still not over. The Divisions must continue to divert efforts to implement the details of Measure 50 as they continue to be resolved. The Divisions will need to determine the new role of appraisers and other staff under Measure 50, and re-evaluate reasonable staffing levels for the changes in how work is done.

Rapidly changing technology

The Divisions are also facing the changing information needs and demands of the public. The tax roll and related records contain information used by other government agencies as well as the general public. These users are demanding this information be made available using the latest technology.

The Divisions have been applying new technologies, along with all of the County. The Divisions now have a joint web page accessible through the County's home page which provides information and even some forms for property tax appeals. The pages also have links to the Oregon Department of Revenue, Tax Supervising & Conservation Commission, and other related sites.

Some other agencies are looking to the Divisions for GIS resources because they maintain the official County maps and the tax roll with much information about classification and types of residential and commercial properties, ownership, valuation, and other data.

As the Divisions expand their on-line public information, they should evaluate the information which could be provided, the number of citizens who would benefit from the information, by what technical medium, and at what cost.

Automation improvements

Both Divisions have work processes that are paper intensive and have struggled for many years to automate processes. When we last reviewed the Assessment and Taxation Division, many managers and staff described the slowness and difficulties in getting tasks

automated or computer programs to achieve their expectations. They are still expressing some of these same concerns.

Presently the Divisions are converting from a mainframe to a client server system for the tax roll records. This is a major undertaking necessitated by old COBOL programs which require extensive modifications to make them year 2000 compliant. This system will provide access to users both outside and inside the Divisions.

This project was delayed over a year because of the diversion of resources to handle Measure 50 changes. Managers are optimistic about the system and said they were involved in the selection of a commercial software "package". The project is expected to cost approximately \$2.4 million. The project is being managed by a consultant hired by ISD. The Divisions monitor the work of the consultant and the progress of the project through weekly meetings. The project manager has revised the expected dates from the contract. Management believes the revised project dates will still provide ample time for testing prior to the Fall tax cycle.

We recommend the Divisions closely monitor the progress of the project to ensure the costs do not exceed the projected \$2.4 million and to ensure the project remains on schedule.

The Mapping Section has also benefited from improved technology. According to the Cartography manager, the new systems have greatly increased their capacity but, as with all technology, they are again reaching limits. Also the Section has been working many years in the process of completing new maps of the entire County which conform to statewide standards. Due to limited resources, they expect an additional two years to complete the new maps.

The division is in the process of upgrading the systems used by the cartographers. The Division should also determine the priority for completing the re-mapping process and request additional funding if the new maps are needed sooner than possible with the available staff.

Strategic Planning and Communications

We found that the Divisions do not have a clearly defined strategic plan although each area has a work plan with goals and objectives. The changing ways in which people communicate and conduct business are creating both challenges and opportunities for the Divisions to creatively rethink how they are organized and how they perform their work both internally and with the public. Strategic planning provides an opportunity for addressing these challenges.

The strategic planning process can also improve communications among all staff and provide a means for various organizations and work units to pursue a common goal and purpose. Strategic plans provide a clear guideline for the management decision making process and provide a means for communications for both large and small projects as well as daily tasks.

It is important for the Divisions to make the strategic planning process a priority and that they work together in this process. According to managers they are working with a consultant in developing a strategic plan. This strategic plan should be the guiding force for all decision making and provide clear direction for all staff.

Paper flow

The divisions are trying to cope with the large quantity of documents and amount of paper handled. There are many interrelated paper and computer systems dependent upon mounds of paper, with data being manually key punched after review by many persons. New technologies may provide some assistance in this area. The Tax Collection and Recording Division funded enhancements in two major computer systems in 1995-96 as a result of the TRIM project (Tax Roll Maintenance), a continuous quality improvement effort. Apparently there have been other committees formed since then to review various processes.

The Divisions need to continue their evaluation of the paper flow, and ways to eliminate steps in the processing.

Tax Title Program Changes

The Tax Title Program handles properties that have been foreclosed upon for non-payment of taxes. Over the years the financial activities for this program have been reported in different funds, departments and organizations. There have been a number of program changes and improvements in the last few years. This year the program is being budgeted in one fund and one organization, which should improve accountability.

Other changes in the program resulted from changes in legislation and County ordinances which allow other governments and non profit agencies first choice of obtaining foreclosed properties at no cost. Over the last five years the program has given 161 properties to governments and 134 to non profits with a total value of \$4.8 million and administrative costs of \$180,000 for these distributed properties. These transactions are not shown in the County's budget or financial statements.

The county's financial auditors have determined there is no requirement to disclose the transfers of Tax Title Fund properties to other governments and non-profit organizations in the County's financial statements. The finance director suggested they could report these transactions in the notes to the financial statements. We recommend the finance director make these disclosures, and also that the disclosures be included in the County's Adopted Budget."

Key Results

Many of the key result measures for the Divisions could be more meaningful. Many relate directly to workload or accuracy of work (such as percent of licenses processed accurately) rather than to the Divisions mission and goals or its customers. Some relate to smaller discrete tasks of major functions (such as tax rate extension reconciliation error

percentage). And others seem to be measuring things over which the division or work unit has no control (such as Tax Title Program measures for the number of properties sold at auction). Indicators of accuracy are important however other indicators relating to efficiency and customer service should also be considered.. The Divisions should review their key results measures and align them with the strategic plans and goals for improvement in operations and customer relations.

Areas of Opportunity and Challenge

- Continue to closely coordinate operations and goals between the two divisions
- In developing the strategic plan, managers and staff should
 - Determine the role of appraisers under the new statutes
 - Ensure Key Results Measures relate to goals and provide meaningful information on major responsibilities
 - Look to innovations and methods of other Oregon assessment and taxation organizations
 - Explore and define customer needs
- Evaluate technological innovations that could benefit the divisions and citizens
- Continue evaluation of paper-flow and ways to simplify processing steps
 - Monitor new system implementation
 - Monitor all costs and implementation plans for the new client server system
- Improve the planning and project management efforts when contracting for work
- Evaluate technological needs in cartography and request additional funding if the new maps are needed sooner than possible with available staff