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January 3, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **OFFICE OF THE ASSESSOR – MANAGEMENT AUDIT (Board Agenda Item 36-A, April 10, 2012)**

At the April 10, 2012 meeting, your Board instructed the Auditor-Controller (A-C) to review four areas within the Assessor's Office (Assessor's): 1) review their Fiscal Year (FY) 2012-13 property roll revenue forecast; 2) conduct a comprehensive management audit; 3) conduct a review of their fiscal/business operations and controls; and 4) review properties that had a 20% reduction in value from December 2010 to January 2012 to determine appropriateness. Area 1 review of the Assessor's FY 2012-13 roll forecast was completed and presented to your Board on May 15, 2012. The Area 3 review of the fiscal/business operations is complete and we will issue the final report in two weeks. The Area 4 review of properties with value reductions in excess of 20% review is ongoing and we will provide a report to your Board upon completion.

The Area 2 of a comprehensive management audit is complete and we are attaching the final report, see Attachment I. We contracted with Strategica, Inc. (Strategica or Consultant) to evaluate Assessor's operations, policies and procedures, and determine whether the Assessor's was appropriately and efficiently carrying out its main mission in administering the County's property valuation and assessment appeals functions. Further, the Consultant was charged to conduct benchmarking and best practices analysis and to make recommendations to improve the Assessor's effectiveness and efficiency.

Strategica is scheduled to present your Board its findings at the January 8, 2013 Board of Supervisors' meeting. The following is a summary of the results of Strategica's review.

Summary of Findings

Strategica concluded that the Assessor's does not appear to be understaffed. However, the audit identifies a number of areas where the Assessor's needs to take action to improve, including its organizational structure, integrity, agency scope, information technology (IT) and workload management, assessment appeals and decline in value processes, and valuation methods. These and other areas are discussed in more detail below, and in Strategica's attached report.

Organizational Structure

Management Qualifications

Los Angeles County Assessor is an elected position, and is not subject to the same selection requirements as other department heads in the County. As a result, an Assessor may be elected without the supervisory or managerial experience to lead an organization of over 1,400 employees. The current structure has worked well under previous Assessors, most of whom had years of managerial experience in the Assessor's before they were elected.

Strategica noted that the Assessor's structure is not designed to ensure continuity of their operations during changes in the elected administration of the Assessor. The Consultant recommends that the Assessor's retain a permanent Chief Deputy with substantial assessor experience, expertise, and managerial competence to ensure institutional knowledge and continuity over the operations when a new Assessor is elected. The Consultant also recommends amending the County Charter to provide the Board of Supervisors the authority to appoint, or the authority to approve the appointment, of a Chief Deputy. Further, the Consultant recommends the Assessor's designates a Chief of Staff to oversee the Assessor's Executive Office, focus on public affairs and communications, and establish strategies and initiatives for the non-operational areas of the Assessor's.

The Consultant also noted that 44% of the senior managers in the Assessor's have left since 2010, primarily due to retirements. While the individuals who replaced these managers have the necessary qualifications, they may have lacked experience or training in managing the Assessor's. In addition, the Assessor's has provided very little supervisory or management training since FY 2007-08. The Consultant recommends the Assessor's increase its supervisory/management training for its employees.

Succession Planning

The Assessor's has no official succession plan or process. The Consultant recommends the Assessor's conduct a succession planning process, including

forecasting managerial departures, and addressing projected departures through hiring, training, and promotions within the Assessor's.

Promotions and Favoritism

Strategica's surveys and interviews of Assessor's employees indicated there is widespread belief that favoritism played a significant role in promotions when the current Assessor was elected. However, the Consultant's review of documentation for promotions that have occurred since 2010 indicates that the individuals promoted met the requirements for the positions. The Consultant did note that the Department used more subjective criteria for high-level promotions, compared to more objective criteria for lower levels. Strategica recommends the Assessor evaluate requirements for promotions, and ensure consistent criteria are used for all examinations.

Further, the Consultant recommends the Assessor's implement a peer review process for management promotions to formally obtain input from other top managers on who they believe would be the best candidate for the position. However, the Assessor's management disagrees with Strategica's recommendation to give Assessor's staff input into management promotions in the Assessor's through a peer review process, see Attachment II. Assessor's management believes that peer reviews are impractical, and that candidates for promotion should be thoroughly evaluated and discussed by the Assessor, Chief Deputy, Assistant Assessors, and Directors of Operations of the Assessor's to select the best qualified individual.

Staffing

Strategica benchmarked the Assessor's operations to other large California counties, and determined that the Assessor's does not appear to be understaffed. In fact, the Assessor's appears to have more staff in the IT operation area, due to the Assessor's antiquated IT systems that hamper productivity and require many workarounds. The Consultant also noted a number of unnecessary one-to-one reporting relationships which can be easily remedied.

Integrity

The Assessor's integrity has been publicly questioned in part because of contacts between Assessor's staff (including the elected Assessor) and tax agents representing members of the public in assessment appeals, and because of campaign contributions from tax agents and their families to the current Assessor. Strategica recommends the County implement new County ordinances, policies, and procedures to prevent these activities, and restore the public's confidence.

The recommendations in this area have been substantially addressed by your Board's approval of the new County ordinance, such as requiring tax agents to register as lobbyists with the County.

Agency Scope

The Assessor is responsible for setting values for both real (secured) and personal (unsecured) property in the County. Secured property accounts for approximately $1.06 trillion (94%) of the total taxable property in the County, while unsecured property (i.e., boats, planes, personal property used in a business, etc.) accounts for only $69.8 billion (6%). The Consultant has two primary findings with recommendations below:

- Strategica found that the return on investment for assessing personal property is significantly less than that for real property, a ratio of 1 to 10. Specifically, the Consultant reviewed the Assessor's budget data and allocated the costs for the appraisal of real versus personal property, and then compared this to the total assessed value of each. They concluded that every dollar spent on real property results in $117 in property tax revenue, whereas for every dollar spent on personal property results in $10 in property tax revenue. Strategica recommends the Assessor's deploy its appraisal staff in a more cost-effective manner between personal and real property (i.e. more on real property and less on personal property).

- The Consultant noted that personal property assessments can be appraised by performing comprehensive canvassing through physical field inspections, or by utilizing Business Property Statements filed by the taxpayer. The Assessor's performs far more personal property appraisals utilizing the comprehensive canvassing rather than the filing of Business Property Statements. The Consultant noted that although both methods are professionally endorsed, canvassing is time consuming, and the State Board of Equalization recommends a judicious balance of both approaches. Strategica, therefore, recommends the Assessor's re-evaluate how personal property is assessed and consider using more self-reporting by property owners with verification of a sample of responses, instead of the current comprehensive canvass of 100% of the businesses in the County.

IT Management

Strategica determined that the replacement of the legacy IT systems is the biggest strategic issue for the Assessor's. The Assessor's heavily relies on workarounds and standalone databases to compensate for the deficiencies in the existing systems. In addition, these older systems require extensive maintenance, requiring 106 IT staff to support the assessed roll of $1 trillion. The county assessor with the next largest number of IT staff, in the State, has 15 staff to support an assessed roll of $300 billion.

To put it in context, Los Angeles County has more than three times of the roll valuation but has seven times the IT staff within the Assessor's.

The Consultant recommends the Assessor's IT Strategy be given high priority, and has provided a number of recommendations to improve the Assessor's IT management function, needs assessment, and consideration of replacing the legacy systems with off-the-shelf systems.

Workload Management

Strategica concluded that the Assessor's workload data is difficult to obtain, and is of questionable reliability. This is in part due to the deficiencies in the IT systems discussed earlier. In addition, the Department's ability to forecast the value of the property tax roll has been challenged by the recent real estate drop in prices. Strategica recommends the Assessor's explore ways to refine its workload reporting system to focus more on outcomes, instead of the variety of work activities. The Consultant also recommends the Assessor's continue to maintain a small forecasting unit, and that the Chief Executive Office temporarily retains a consultant to review the roll value forecasts until property values stabilize.

Assessment Appeals

Property owners who disagree with their property assessment can appeal to the Assessment Appeals Board, which is part of the Executive Office of the Board of Supervisors (Board Executive Officer). The Assessor's is represented in assessment appeals by a small group of experienced employees who act as Assessor Representatives (AR). Questions have been raised over whether some ARs were giving some tax agents preferential treatment, and were fraternizing with the tax agents outside of work. It was also alleged that some ARs were proposing reduced values on properties in an attempt to settle cases and clear the appeal calendar. The Consultant found no evidence to support these allegations, and noted that the settlement conferences they observed were professional, data-driven, and fair. However, the Consultant recommends the Assessor's continue the practice of rotating the ARs every three years, and refine their policies on approving value changes from dollar amounts to percentages.

Strategica noted that the number of assessment appeals has increased significantly, from approximately 10,000 in 2007 to over 40,000 in 2012. One of the issues affecting the Appeals Board's workload is that most appeals are continued at least once and frequently more. This results in ARs and Assessment Appeals staff spending time preparing for cases that will not be heard when expected.

Strategica also indicated that they believe the current assessment appeals process gives an excessive amount of due process to taxpayers and their agents, even though

the burden of proof is on the taxpayer to demonstrate that the Assessor's proposed value is wrong (except for owner-occupied single family residencies where the burden is on the Assessor's). The Consultant recommends amending County Code to impose a $35 fee (there is no charge presently) to file an assessment appeal to offset part of the cost of the program, and discourage frivolous appeals.

The Consultant also made a number of recommendations for the Assessment Appeals Board (AAB) to consider revising AAB policies and procedures to streamline the process, while maintaining compliance with State Board of Equalization AAB rules. However, the Board Executive Officer disagrees with the recommendation to amend AAB rules to limit second continuance requests for AAB cases only when the parties can demonstrate a true hardship, see Attachment III. The Board Executive Officer believes that the decision to continue a case should be left to the discretion of the AAB.

Decline In Value (DIV) Processes

As noted earlier, the real estate drop in prices within the last few years has drastically increased the Assessor's workload, and required the Assessor's to develop new ways to appraise properties that have declined in value. In 2010, the Assessor's developed the DIV System, a mass appraisal system to value groups of similar properties. Strategica concluded that DIV is a useful system that should be improved with additional controls to prevent the possibility of inappropriate value reductions. Specifically, they recommended that approval thresholds based on percentage value changes be built into the system, along with password-secured approvals. Auditor-Controller staff have been reviewing the DIV system, and discussed these issues and recommendations with Strategica when the Consultant started their review.

Valuation Methods

As discussed earlier, the drop in real estate values has required the Assessor's to rely on computer-assisted mass appraisals. The Consultant has made a number of recommendations to improve these appraisals, such as implementing quality assurance and controls to monitor the mass appraisals.

The Consultant also noted that the current secured property data base (PDB) has limited location data available. However, the County's geographic information system (GIS) contains data such as views, proximities, seashores, and other value influences, such as golf courses, etc. The Consultant recommends linking the GIS to the PDB to give appraisers additional property data to improve their appraisal capabilities.

Acknowledgement

We met with Assessor's management and the Board Executive Officer to discuss the report. Both departments concur with most of Strategica's findings and

recommendations, and their detailed responses (see Attachments II and III) indicate that they have taken corrective actions to implement many of Strategica's recommendations, except for two of the disagreed areas mentioned earlier.

We thank the Board Executive Officer and Assessor management and staff for their cooperation and assistance throughout this review.

Please call me if you have any questions, or your staff may contact Susan Linschoten at (213) 974-8593.

WLW:JLS:SJL

Attachments

c: William T Fujioka, Chief Executive Officer
Santos H. Kreimann, Chief Deputy Assessor
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee

Attachment I

title

Management Audit of the Los Angeles Assessor

submitted to

Los Angeles County Auditor-Controller

Report date

November 15, 2012

Management Auditing
Lean Process improvement
Strategic planning
Organizational design

STRATEGICA

strategica-usa.com

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Attachment I

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November 15, 2012

Ms. Wendy Watanabe
Los Angeles County Auditor Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012

Dear Ms. Watanabe:

Pursuant to our Work Order No. 8-01A, we have completed our Management Audit of the Los Angeles Assessor. This report contains our findings and recommendations as specified in the Work Order.

Thank you for giving Strategica, Inc. the opportunity to conduct this project. We greatly enjoyed working with you and the Assessor staff.

Please call on Strategica, Inc. again should you need the services of a consultant. If you have any questions or comments, please contact me at (425) 427-5269.

Yours truly,

David M. Howe
President

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Table of Contents

Executive Summary 1
Introduction
Description of the Assessor 5
Accomplishments 9
Project Objectives/Scope 11
Standards Used 11
Methods Used 12
FINDINGS AND RECOMMENDATIONS
Section A – Organizational Structure / Personnel
A.1 - Management Qualifications and Succession Planning 14
A.2 - Promotions and Favoritism 19
A.3 - Staffing 24
A.4 - Organizational Structure 32
Section B – Integrity 38
Section C – Agency Scope 43
Section D – IT Management 56
Section E – Workload Measurement / Statistical Reporting 64
Section F – Appeals 67
Section G – DIV Processes 77
Section H – Valuation Methods 81

APPENDICES
Appendix A – Glossary of acronyms 92
Appendix B – Recommendation table 93
Appendix C – Organizational changes during the last five years 105
Appendix D – Process maps 108

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Executive Summary

Background

The Assessor's Office appraises all real estate (primarily single-family homes) and personal property (businesses, manufactured homes, boats, and airplanes) located throughout the county. The Assessor is a key link in the process of identifying and valuing taxable property, and collecting and allocating taxes on that property.

The agency oversees the largest assessment jurisdiction in the United States with 2.4 million parcels and a staff of almost 1,500 employees. The core of the agency is comprised of appraisers who are college graduates, frequently with business or real estate backgrounds. Other staff groups examine property sales and transfers, map the County into parcels, evaluate exemption applications, or provide customer service to tax payers. Staff are based out of the Hall of Administration in downtown Los Angeles, and District offices in Sylmar, South El Monte, Signal Hill, and Culver City. Satellite offices are located in Lancaster and Van Nuys.

Overall Assessment

The scope of this project was to conduct a management audit of the Los Angeles County Assessor to evaluate agency operations, policies, procedures, and programs to provide the basis for recommendations for improving the effectiveness and efficiency of program operations and service delivery. The audit included a review of most significant areas of Assessor operations, including all those specified in the Statement of Work.

With the advent of Proposition 13 in 1978, the Assessor switched its valuation methodologies from focusing on determining fair market value (FMV) to adhering to the policy-based valuations required by the initiative. This resulted in a long period of under-investment in new systems and procedures. This created a major problem with the severe downdraft of property values that occurred in 2008 and 2009. In the space of a couple of years the Assessor has had to refocus on market-based valuations again. In response, the agency has retooled some procedures and systems, but control weaknesses have become apparent in the last couple of years. In addition, allegations of integrity lapses on the part of the elected Assessor have seriously hurt the public's confidence in the Assessor and the fairness of the property tax system. Issues in the appeals system, personnel policies, valuation methods, political controls, the scope of the agency, and the organizational structure call for the attention of management and County policy makers.

Summary of Key Findings and Recommendations

Organizational Structure

The Assessor's organizational structure is not designed to ensure continuity of operations during changes in the elected administration of the agency. The structure also does not reflect the need for strategic foci on statistical reporting, strategic IT procurement, or dealing with communications with members of the public and industry.

1. The Assessor should keep the Chief Deputy Assessor position filled to provide continuity of management. The requirements for that position should clearly state the need for both substantial assessor experience and expertise, and demonstrated managerial competence. Most likely, this person would come from within the organization and have substantial

County experience. However, the individual could also come from other Assessor organizations, as desired by the agency and the County. The County Charter should be amended so that should the Chief Deputy Assessor position become vacant within six months before or after a change in the elected Assessor, the Board of Supervisors (BOS) would have the prerogative to appoint an acting Chief Deputy Assessor until a permanent replacement is found.

2. The Assessor should keep a Chief of Staff position filled to oversee executive office functions, and to act as a gatekeeper between the elected Assessor and the public and industry.

Public Integrity

Current policies and procedures do not adequately prevent ex-parte communications or other coercive activity between Assessor management and parties to appeals and administrative reviews. Rules also do not adequately prevent the corrosive incentives that can result from weak campaign finance laws.

1. County ordinances should be amended to mandate registration for tax agents. Representation on AAB cases should be restricted to registered agents.

2. AAB rules and systems should be changed to restrict communications in appeals cases to certain persons involved in the case.

3. Assessor policies should be amended to include recusal rules for the elected Assessor when appeal or administrative review cases are filed by campaign donors.

Agency Scope

State law requires the Assessor to value both real and personal property in the County. However, the return on investment from the personal property

assessment system is a fraction of the return that is obtained from real property. The Assessor could make resource allocation changes to correct some of this imbalance.

1. The Assessor should change canvassing procedures to reduce the frequency of canvassing and shift resources to activities that produce more value.

Roll Reporting and Forecasting

Assessor workload and statistical reporting systems are complicated and cumbersome. They are not conducive to quick, reliable forecasting. Until the real estate markets stabilize and obviate the need for more robust forecasting capabilities, the County should seek outside help.

1. The Assessor should form a small unit (using existing staff) dedicated to statistical reporting and forecasting. However, the County Chief Executive Officer (CEO) should also retain a private consulting firm to review, adjust and attest to the accuracy of forecasts for the next 3-5 years until values stabilize and render forecasts more predictable.

Appeals

The assessment appeals process is designed for an environment of lower appeals volumes, not the current period of huge volumes. The process allows for an excessive amount of due process given the nature and complexity of the caseload. More reasonable due process procedures would help to expedite cases.

1. The Assessment Appeals Board (AAB), a unit of the Executive Office of the BOS should amend rules to expedite the processing of non-hearing agenda items, and limit continuances.

Introduction

Description of the Los Angeles County Assessor

Property taxes are an essential component of income for any county to use in providing service to their citizens. The process of collecting money in an accurate and efficient manner and disbursing money in an equitable and timely manner is the basis upon which any county operates for the benefit of its citizens. The Assessor's Office is an essential component of that process.

The Assessor's Office assesses all real estate and personal property (businesses, manufactured homes, boats, and airplanes) located throughout the county. Along with other County agencies such as the Registrar-Recorder, Auditor-Controller, Treasurer and Tax Collector, the Assessor is crucial in identifying and assessing property which results in the collection and allocation of property taxes.

The agency oversees the largest assessment jurisdiction in the United States with 2.4 million parcels and a staff of almost 1,400 employees. It provides services through five primary organization sections:

- District Appraisals operates four geographical appraisal districts,
- Major Appraisals determines appraised values for major personal property, major real property, and central processing,
- Roll Services provides ownership services, exemption services, mapping services, assessment appeals, and other assessment services.
- Information Technology supports other business functions and ensures security of data, and
- Administrative Services provides essential support services such as human resources, finance, and training.

The core of the agency is comprised of appraisers who are college graduates frequently with business or real estate backgrounds. Other staff groups examine property sales and transfers, map the County into parcels, evaluate exemption applications or provide customer service to tax payers. Staff are based out of the Hall of Administration in downtown Los Angeles and District offices in Sylmar, South El Monte, Signal Hill, and Culver City. Satellite offices are located in Lancaster and Van Nuys.

Key workload figures and statistics include (2011-12 figures):

- 414,000 deeds received
- 153,000 re-appraisable transfers
- 47,000 Assessment appeals processed
- 140,000 business property statements received
- 497,000 proactive Prop 8 decline-in-value reviews
- 1,457 budgeted positions
- $153 million budget
- 50% of the agency budget is supported by assessment and tax collection fees. The remainder of the budget is Net County Cost (NCC)

Historically, the County Assessor was an uncontroversial agency that performed its statutory duties in a quiet, competent manner. Assessed values were mostly determined by policy (i.e., Prop 13) rather than FMV, so only a fraction of the roll was actually appraised each year. Starting in 2008, several events occurred that strained operations.

The recession that started in 2008 and gathered steam in 2009 caused a deep downdraft in housing values nationwide and in the County. The resulting real estate recession was the worst in a generation. Most parcel values dropped below

their adjusted base year values[1] resulting in massive numbers of revaluations that were required under Proposition 8.[2] Declines in value were enrolled through mass appraisal techniques, or at the request of taxpayers for either administrative reviews or a formal appeal to the AAB. These sudden, huge volumes of market-driven appraisals forced several major changes in policy, systems, and procedure at the Assessor. Because the agency (like all California Assessors) had not been regularly valuing properties at FMV, valuation procedures, capabilities, and systems were not in top condition. This had to be quickly reversed.

Into this maelstrom stepped a relatively untested, newly elected Assessor, John Noguez. Mr. Noguez was first elected in 2010 after a hotly contested election in which 14 people ran for the office (including many fellow agency staffpersons). Mr. Noguez was, by most accounts, a competent appraiser, but had little supervisorial or executive experience. This was a departure from the past where the second-in-command at the agency would normally be elected to the Assessor position when it opened up, usually after a perfunctory election campaign.

Soon afterwards, the Agency experienced a rash of departures in the management ranks (mostly through retirements) which cut into the skill base and institutional knowledge of the agency when it really needed it the most. As discussed later in the report, 44% of the executive and senior management ranks have left since 2010.

Within a few months of the change in leadership, the agency was beset by allegations of influence peddling on the part of the elected Assessor and further allegations that a staff appraiser drastically reduced values on certain properties bypassing internal controls and falsifying documents in the process. Criminal investigations and grand jury investigations ensued.

[1] Determined by the value of the property when it was first appraised (typically the date of purchase) adjusted annually by the fixed limits set by Proposition 13.
[2] Proposition 8 (1978) requires that property be re-assessed at market value if it drops below the adjusted base year value.

The BOS has become keenly interested in the outcome of these investigations, and is rightly concerned about the reputation and integrity of County government, especially an agency that determines assessed value by which property taxes are determined. The competence of agency management and the accuracy of work they produce is being questioned by the BOS, while the District Attorney, the Auditor-Controller, and the media investigate. This perfect storm has engulfed the County Assessor and has spawned one additional investigation, this management audit.

Accomplishments

In addition to day-to-day accomplishments, such as appraising property, processing deeds, exemption requests and appeals, the Assessor can also claim credit to a number of accomplishments:

- The agency provides an initial nine-month appraiser training program to new personnel each year, widely recognized as one of the best in the State. Retention of personnel who have gone through the program is superb. One hundred and twenty two (122) people matriculated through the last five Real Property training classes and 81% were still with the agency after three years. Eighty percent are still there today.
- Implementation of the Decline-in-Value (DIV) Project which has identified as many as 500,000 parcels per year over the last several years requiring a decline-in-value review, a market value appraisal and, if needed, reassessment to reflect declines in the real estate markets. In 2009, the Assessor was honored by the County's Quality and Productivity Commission with a Top Ten Award, and for the first time with the "Number One" Gold Eagle Award for the Decline-in-Value Reviews and Outreach Project.
- The Automated Information Request (AIR) which identifies properties that will be scheduled for review, and automatically prints and mails a form letter requesting the information exchange for appeals cases.
- The Reclustering Project addresses cluster (neighborhood) definitions that are out of date by creating meaningful economic areas for use by both appraisal staff, management (workflow), and by the various systems that use statistical analysis based on these cluster boundaries.
- The Assessor has initiated a long-term project, the Building Plan Acquisition System (BPAS), to garner the cooperation of many of the

permit issuing agencies, and build a tracking system to handle and process the building plans as needed for valuation purposes.

- The procurement of Narrative1, an off-the-shelf software product that is designed for the valuation of residential-income and commercial/industrial properties.
- The Assessor acquired new Project Portfolio Management Software and established a Project Management Office (PMO) responsible for setting project management standards and best practices to prepare the organization for development and implementation of new IT systems.
- Implementation of Procured Project Portfolio Management software will provide executive visibility into IT processes, allow for meaningful prioritization of projects, and help the PMO with implementation of project management standards.

Project Objectives/Scope

The scope of this project is to conduct a management audit of the Los Angeles County Assessor to evaluate agency operations, policies, procedures, and programs to provide the basis for recommendations for improving the effectiveness and efficiency of program operations and service delivery. In addition, the audit included benchmarking and best practices analysis to evaluate specific operations and the overall Assessor performance. This report covers each area in the original work scope with the exception of exemptions and strategic planning. Based on Phase I findings on exemptions, it was determined that no further investigation was warranted. Also, during Phase I, we determined that the Assessor did not have a current strategic plan but that the agency was in the process of developing a strategic plan. This plan has subsequently been completed and action plans are now being developed. Based on this, we determined that further investigation into strategic planning was not warranted.

Standards Used

The consultants conducted this management audit in accordance with general and performance audit standards regarding qualifications, independence, due professional care, quality control, fieldwork, and reporting prescribed by the U.S. General Accounting Office (GAO) in Government Auditing Standards (2011 Revision).

Methods Used

The management audit was conducted in three phases:

Phase I – Preliminary Survey. In the preliminary survey phase, the consultants held an entrance conference; gathered information about Assessor operations; and prepared a management briefing that presented potential areas of risk or potential improvement; and developed a detailed workplan for the subsequent audit phase of the project. Specific work tasks included:

- 15 interviews involving 18 Assessor and County managers and external stakeholders,
- Reviewed workload and performance statistics,
- Reviewed 18 reports,
- Reviewed the assessment standards report from California State Board of Equalization (BOE),
- Reviewed pending litigation and legislation,
- Reviewed prior audit reports from the Auditor-Controller, and
- Conducted an agency-wide staff survey (579 responses, 82 pages of written comments).

Phase II – Audit Phase. In this phase, the consultants performed the tasks incorporated in the Phase II workplan. These included:

- Evaluated processes and policies for assessment appeals,
- Evaluated controls used for Prop 8 decline-in-value reviews,
- Reviewed the workload management and statistical reporting functions,
- Reviewed valuation methods and policies,
- Reviewed succession planning and management qualifications,
- Evaluated if favoritism played a part in staff promotions,

- Reviewed agency staffing levels,
- Determined the proper management structure of the agency,
- Determined if there was any activity or communication that compromised the integrity of the agency,
- Determined the relative rate of return of personal property assessment versus real property assessment, and
- Evaluated the management of IT systems.

At the conclusion of Phase II, the consultants discussed preliminary findings and recommendations with the Auditor-Controller.

Phase III – Reporting Phase. In this phase, the consultants prepared a draft report based on the results of Phase II, conducted an exit conference with the Office of the Assessor, the Executive Office of the BOS, and Auditor-Controller staff, and finalized the report.

Findings and Recommendations

Section A – Organizational Structure / Personnel

Many of the above issues are discussed in this chapter on Organization Structure and Personnel. Areas for review include:

- Management Qualifications and Succession Planning
- Promotions and Favoritism
- Staffing
- Organization Structure

Section A.1 – Management Qualifications / Succession Planning

Management of any organization should demonstrate the skills, expertise, judgment and leadership capability to manage all aspects of the operation in an equitable and professional manner. It is incumbent on management of any organization to ensure that the personnel in positions of authority are the correct individuals in terms of experience and ability, and that a plan is in place to ensure the replacement of those individuals with at least equally qualified personnel. To accomplish this, it is essential that an equitable process exists as this encourages individuals to perform optimally in order to be competitive regarding career advancement opportunities that may arise.

Criteria for qualified management and effective succession planning include:

- Continuity of management and expertise so that as managers depart, are hired, promoted or elected, the essential functions of the agency can continue uninterrupted,

- Supervisory experience or training to ensure that the individuals manage those under them fairly and in a manner that represents the best interests of the organization.

In this section we address three separate questions:

1. Does the current management team have the necessary qualifications and experience for running the Agency?
2. Does the agency have the structure in place to continue operations uninterrupted in the event of significant changes in top management positions?
3. Does the Agency have a succession plan or process?

Assessor Qualifications

The head of the agency is the County Assessor, an elected, constitutional Officer, and thus not subject to the same requirements for "promotion" to a senior management position. Although the Assessor had spent 27 years in the agency, the majority of that time was spent as an Appraiser Specialist, focusing on commercial and industrial properties. The current elected Assessor holds a California State BOE Advanced Appraisal Certificate and attended California State University, Los Angeles, concentrating his studies in the School of Finance. He did not receive a degree.

While employed at the agency, the current elected Assessor held a variety of political offices, including Mayor and City Councilman, with the City of Huntington Park. He has also been a government leader in several significant positions including President of the League of California Cities, and Los Angeles County Secretary/Treasurer of the California Contract Cities Association.

Up until the last year before being elected, the highest position the elected Assessor held in the agency was as Appraisal Specialist I. Previous positions included Student Worker, Appraiser Assistant, Appraiser Trainee and Appraiser.

Ideally, positions held before becoming an elected Assessor would include Principal Appraiser, Supervising Appraiser, Chief Appraiser, Director, and Assistant Assessor or Chief Deputy. As such, the recently elected Assessor had little supervisory or managerial experience prior to assuming his current role.

The criteria for being the Assessor is not management experience but rather the number of votes received. Therefore, the agency must have a management structure in place that can promote the Assessor's effectiveness regardless of his or her prior experience or management skills. In most organizations led by an elected official, a chief deputy position normally exists that provides that institutional knowledge and continuity for the agency. This position is frequently tasked with managing the day-to-day operations of the agency while the elected official sets strategy and policy and handles inter-governmental affairs.

Brain Drain

The organization structure of the Assessor currently has 18 senior management positions at the level of Chief Appraiser and above. Since the current Assessor was elected in 2010, there have been 8 departures (44%) of managers at these position levels, not counting the Assessor himself. The result has been a rapid drawdown of technical and managerial experience within the agency. Figure A-1 on the next page shows that a total of 218 years of technical and management experience has left the agency since late 2010.

Although the individuals who have moved up had the necessary qualifications and experience, it is a relatively untested group in regards to their current positions. For example, the Assistant Assessor only had 22 months experience as a Director before becoming Assistant Assessor, and has been in the current position for 19 months. Two of the three Directors have less than 20 months experience in their current positions. The Director of Roll Services only had 11 months experience as

a Chief before becoming Director. Six of the 9 Chiefs have less than 15 months experience in their current positions.

Figure A-1 – Recent Management Departures

Title-departing manager	County service-departure (years)	Date Retired/Left
Chief Deputy	21	26-Dec-11
Chief Deputy	0.5	26-Feb-12
Assistant Assessor	39	30-Mar-12
Director	39	21-Jan-11
Director	15	3-Dec-10
Chief Appraiser	32	29-Mar-12
Chief Appraiser	40	31-May-11
Chief Appraiser	31	30-Mar-12
Total tenure	218	
Average tenure	27	

Source: Assessor

Management Training

Although many top managers have degrees, and have attended various technical training programs, there has been little ongoing supervisory or management training provided by the agency or the County in the recent past. The management and training budget has, in fact, been non-existent for several years and overall training budgets (direct office, without union assistance) have been decreasing since 2007-2008.

The County requires that managers and staff attend several required training courses. The programs offered protect the County from various legal issues and are important for all employees, new supervisors and existing managers to understand. However, they do not include specialized leadership training on how

to be a good supervisor or manager or discuss managerial issues that should be anticipated.

Succession Planning

There is no official succession plan or process, although the organization does try to prepare personnel for various opportunities as they arise. The agency has a goal of encouraging each manager to have a broad base of experience and the agency has implemented an annual personnel/management rotation program. Although this is an effective program for broadening experience, it does not replace a formalized succession plan.

Every year, all staff are offered an opportunity to identify their three top preferences for job rotation. These preferences may be based on staff's desire for exposure to new areas, or simply a desire to work closer to home. The preferences are reviewed by senior management and, where feasible, rotations are made. This program provides an opportunity for senior managers to discuss rotation needs for the agency.

While it is admirable that the agency is concerned with the needs of employees to live near their home or to gain work experience in a different area, it is critical that manager rotations be reviewed with the primary goal of strengthening the agency performance needs and preparing staff for future promotional opportunities. Succession planning should be added to this process.

Recommendations:

> **Recommendation A1 –** The Assessor should keep the Chief Deputy Assessor position filled to provide continuity of management. The requirements for that position should clearly state the need for both substantial assessor experience and expertise, and demonstrated

managerial competence. Most likely, this person would come from within the organization and have substantial County experience. However, the individual could also come from other Assessor organizations, as desired by the agency and the County. The County Charter should be amended so that should the Chief Deputy Assessor position become vacant within six months before or after a change in the elected Assessor, the BOS would have the prerogative to appoint an acting Chief Deputy Assessor until a permanent replacement is found.

Recommendation A2 – The Assessor should increase the budget, opportunities and expectations for leadership and supervisory/management training for personnel in the agency including external course offerings.

Recommendation A3 – The Assessor should expand the Rotation Process and, on at least an annual basis, conduct a succession planning process that would include:

- Forecasting managerial departures,
- Inventorying projected technical and managerial deficiencies due to departures or based on strategic planning,
- Planning for remedying these deficiencies through hiring or promotions, and
- Training needs for those that may be promoted.

Section A.2 – Promotions and Favoritism

Personnel in an organization must feel that their work is valued and provides an equal opportunity for promotion. Few things hurt morale in an organization more that the perception/reality of favoritism based on issues not related to the job functions.

Criteria for successful promotional policies and actions include:

- Promotional opportunities should be the same for all qualified individuals, and not based on a perception of favoritism by a senior manager. This, of course, does not mean that equally qualified individuals must be deemed equal based on subjective criteria for job suitability, i.e. two people with the exact same backgrounds might both be eligible for a specific promotion but the individual with the attitude or work ethic (more subjective criteria) that is more suitable for the job may be chosen without encountering bias.
- Selection or promotions should not be based on extraneous factors (e.g., contributions to a campaign, attendance in a specific church or club) that are not job related. To do so may enhance the perception of favoritism and lead to morale issues within the organization.

The primary question to be addressed in this section is:

1. Does the Agency demonstrate favoritism in promotions?

There is widespread belief in the agency that favoritism has played a significant role in promotions since the Assessor was elected. There are numerous accounts of personnel being in meetings with the Assessor where he was very clear who he wanted to promote with an expectation expressed for senior management to make it happen. According to reports, these expectations were expressed regarding personnel who worked on or contributed to his campaign or who were personal friends. The lack of objective performance criteria, the hiring of “at will” individuals, the fast movement of personnel up in the organization, and the ability to donate to campaigns all contributed to the perception of favoritism. Each will be discussed on the following pages.

Personnel Rules and Regulations

Various criteria are considered for promotion at the agency, some more subjective than others depending on the level of promotion. For higher level promotions the criteria is more subjective. For promotion to Chief Appraiser and above, the process involves a discussion of senior managers who assign a score for Appraisal of Promotability (AP). This is a subjective process since it is based on input of a variety of people and their perception of an individual's experience, expertise and anticipated ability to perform the function. As described by several Senior Managers, because the AP score is subjective, strong opinions from just a few people can skew the score and result in undesirable promotion outcomes.

Below the Chief Appraiser level, the criteria for Principal Appraiser is more objective. In addition to the AP, promotion is also based on a Rating of Records which looks at more quantitative factors such as work assignments, training received, etc.

We reviewed the AP scores for individuals who were promoted to see if they changed after the election of the Assessor. We discovered that only one person was promoted whose AP scores was changed after the election. This person, who was promoted to Chief in June 2011, had an AP score of 90% in January 2009 and subsequently received a 100% in February 2011. He was also approved for a Temporary Assignment Bonus as Acting Director, but has since been reassigned resulting in the removal of the bonus. He is currently out on administrative leave.

Another factor that increases the perception of favoritism is how fast an individual moves up within the organizational structure. Both the Principal Appraiser and Chief Appraiser job classes have minimum experience requirements. Promotion to Principal Appraiser requires two years as a Supervising Appraiser and promotion

to a Chief Appraiser requires two years as a Principal Appraiser. All promotions made since 2010 met the minimum experience requirements.

Assistant Assessors, Chief Deputy Assessors, and Directors are all unclassified positions and do not have bulletins or minimum experience requirements. The Assistant Assessor and one of the three Directors were promoted to their current positions with less than two years' experience in their previous position.

Finally, we reviewed the promotional criteria (components of banding) for all promotions immediately before and after the election. We were testing to see if the criteria were made easier to allow a specific person to be promoted. However, none of those criteria changed. Chief Appraiser was based 100% on AP while the Principal Appraiser was based 50% on Rating of Records and 50% on AP scores.

At Will Employees

Special Assistants are typically "at will" positions and, as such, are either personnel transferred from within the organization or brought in from the outside. Special Assistant positions do not have a formal job classification or testing requirement. Anytime there is an opportunity to choose personnel for various positions without specific stated job requirements or testing opportunity, there is the potential perception of favoritism. Special Assistant positions require approval by the County CEO but since the Assessor is an elected official, the selection is primarily at the discretion of the Assessor.

At the Assessor, two people were transferred and three were hired as "at will" Special Assistants. Of the transferees, one handles legislation and policy and one handles Valuations. The three new hires are all in communications/public relations functions. Based on a review of these individuals qualifications, they are qualified and have the appropriate background to perform the functions they have been assigned.

Contributions and Promotions

While it is not unusual for employees to contribute to campaigns, many people reported that there was intense pressure to contribute to the various campaigns during this last election.[3] Many of the senior management in the agency contributed. Based on data on banding and donations, there was no correlation between donating to the winning campaign of Mr. Noguez and receiving a promotion that couldn't be explained by other causal factors such as banding level or acting status.

Recommendations:

Recommendation A4 – The Assessor should evaluate the promotion requirements for all Assessor items to ensure consistent criteria is used for all promotional examinations.

Recommendation A5 – The Assessor should implement a Peer Review of Chiefs prior to promotion to Director. The Assessor and Chief Deputy should formally obtain input from other Chiefs on who they believe would be the best candidate for a Director position. While the decision would still be based on who the Assessor believes is best qualified to manage a large section of the agency, this practice would at least provide input to the Assessor from the other Chiefs on that individual's skills and abilities.

[3] Fourteen people ran for Assessor in 2010. Also, it is illegal for an elected official to solicit political donations from his or her staff per Government Code 3205.

Section A.3 - Staffing

The identification of over or under staffed units is complex as workloads vary from year to year and section to section. Although there are specific indicators of staffing issues, some are less useful than others. The Time and Volume (T&V) System was, at one time, based on engineered standards as a basis for staffing. However, over time, standards have become based more on a running average of activity times which decreases it usefulness, as discussed in Section E.

Criteria to use when evaluating staffing include:

- Staffing numbers should be appropriate to conduct the business of the organization. Overstaffing would be a misallocation of County financial resources and would foster an unproductive work ethic.
- Substantial turnover may be an indicator of additional staff needs and that there may be a potential for job burnout.
- Overtime utilization should be minimal and related to the occurrence of periodic workload spikes rather than ongoing shortage of staff.

The questions to be addressed are:

1. Are there currently any over or under staffed units in the Organization?
2. Will there be sufficient staffing to provide for Assessor operations in the near term?

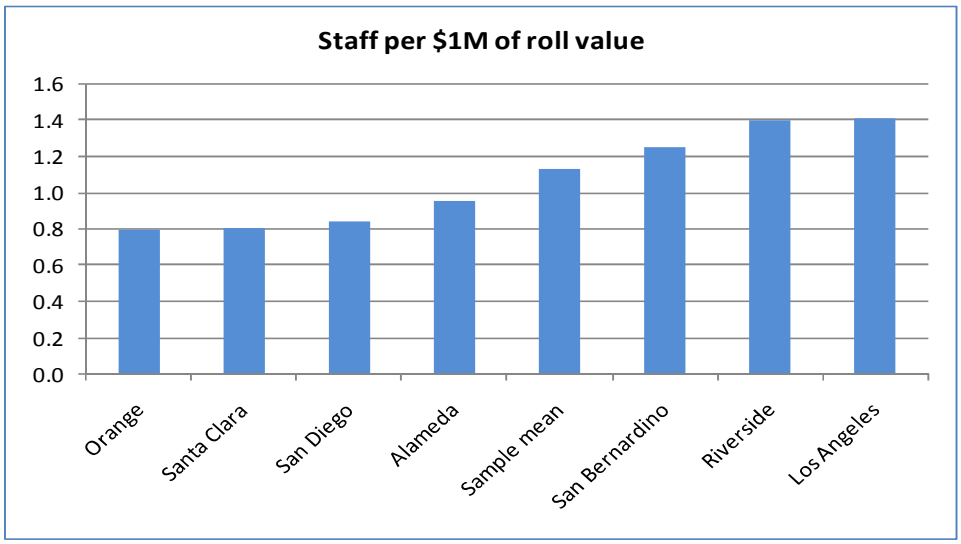
Benchmark comparisons

The BOE publishes an annual report on staffing, budgets and workload for county assessors.[4] We extracted data from this report to perform benchmark

[4] A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office, 2010-11, February 2012, California State Board of Equalization

comparisons on staffing for large California counties. The following charts show how Los Angeles County compares.

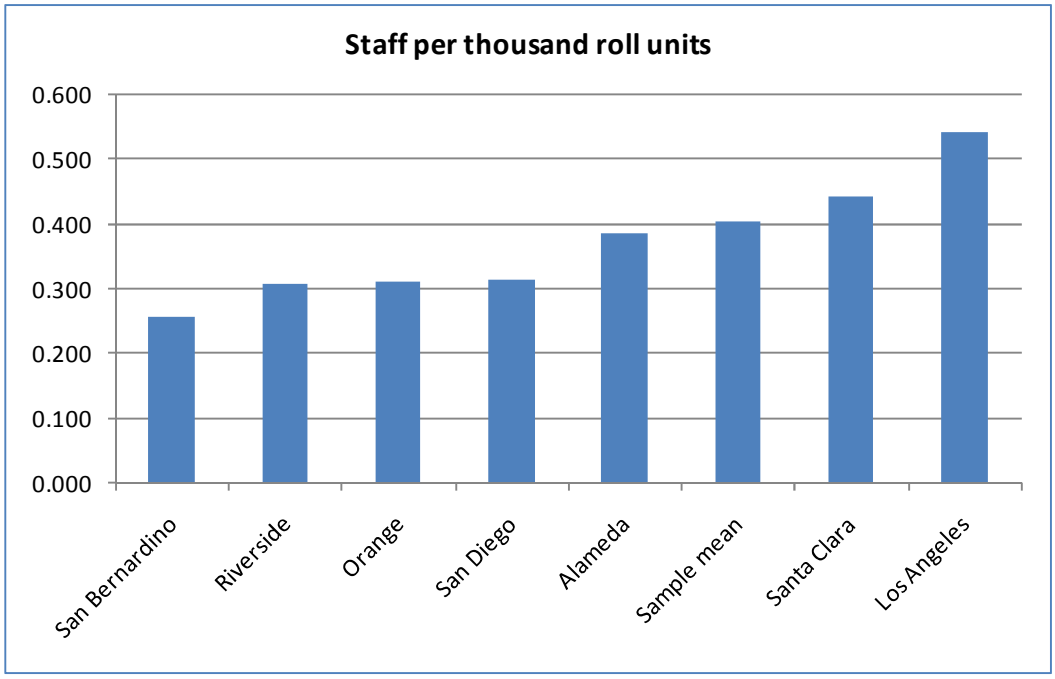
Figure A-2 – Staff per $1 million of roll value



Source: BOE, FY 2010-11

As seen in Figure A-2, Los Angeles County has the highest staffing among the large counties in the sample with 1.4 staffpersons per $1 million in roll value. Los Angeles County was 27% higher than the mean of 1.1 staffpersons per $1 million roll value.

Figure A-3 – Staff per thousand roll units



Source: BOE, FY 2010-11

As seen in Figure A-3, Los Angeles County has the highest staffing among the large counties in the sample, with .5 staffpersons per thousand roll units compared to the sample mean of .4 staffpersons. Therefore, County staffing is 25% higher than the sample mean. This is partially a factor of the diversity and complexity of assessed property in the County which compared to some of the peers. Productivity in Los Angeles County is also hindered by the archaic and obsolete enterprise IT systems. Based on benchmark comparisons, and considering the above mitigating factors, the agency is not understaffed.

Based on the same BOE data[5] we also benchmarked Los Angeles County against peer California counties based on the percentage of each type of staff compared to total staffing.

Figure A-4 – Staff type as percent of total staffing

County	Managers	RP appraisers	PP appraisers	Drafting/ mapping	IT	Other tech	Support
Alameda	5%	32%	13%	4%	3%	9%	34%
Los Angeles	4%	26%	12%	3%	7%	4%	44%
Orange	2%	30%	17%	4%	4%	3%	39%
Riverside	4%	40%	8%	6%	4%	35%	4%
San Bernardino	4%	34%	8%	4%	3%	22%	24%
San Diego	7%	29%	13%	6%	1%	19%	24%
Santa Clara	5%	28%	18%	3%	6%	9%	32%
Sample total	4%	29%	13%	4%	5%	9%	36%

Source: BOE, FY 2010-11

As seen in Figure A-4, Los Angeles County Assessor staffing is over-represented (red-shaded cells) in IT and support personnel and under-represented (yellow-shaded cells) in real property appraising, drafting/mapping and other technical staffing. IT staffing, in particular, is markedly higher than in peer counties. Los Angeles County has 106 IT positions while the next highest County has 15. In support staff as well, Los Angeles County has a large complement. Both of these are due to the archaic enterprise systems and numerous small systems used in Los Angeles requiring large IT and support staffs. As the County eventually modernizes its enterprise systems, it should see productivity increase as well.

In addition to reviewing benchmark data, Strategica conducted a survey of all Assessor staff at the initiation of the project. One of the issues addressed was perceived high work load or potential staff shortages. We then compared that input with management and stakeholder interviews to see if the perception was

[5] A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office, 2010-11, February 2012, California State Board of Equalization

accurate from management's point of view. Although the staff survey did not identify an overwhelming shortage of staff overall, the survey indicated a perceived shortage of staff in Major Real Property, some districts and Ownership. Staffing has recently been increased in Major Real Property and a new class of trainees has been formed for the Ownership Section. As a result, if there were any staffing issues in these units, they should be mitigated.

Overtime Utilization

Excessive and pervasive overtime utilization can point to staffing shortages. We calculated overtime use in various Assessor organizational units to see if there were any apparent under staffing issues. Figure A-5 shows the results of this analysis.

Figure A-5 – Overtime utilization by org unit (FY 2011-12)

Org Unit	Paid OT hours	Accrued OT hours	Total OT hours	# of staff	Avail hours	OT as % of avail hours
Executive Office	27	271	298	14	24,500	1%
Human Resources	426	8	434	22	38,500	1%
Management Services	759	-	759	40	70,000	1%
Training	51	-	51	39	68,250	0%
Ownership	5,254	25	5,278	199	348,250	2%
Exemptions	212	-	212	98	171,500	0%
Assessment Services	94	38	132	69	120,750	0%
ITD	515	2	517	108	189,000	0%
Project Management	238	99	337	17	29,750	1%
Major Personal Property	1,420	32	1,452	103	180,250	1%
Major Real Property	7,542	418	7,960	92	161,000	5%
Central Processing	1,494	-	1,494	48	84,000	2%
North District	3,395	134	3,529	163	285,250	1%
South District	5,724	114	5,838	112	196,000	3%
East District	9,712	308	10,020	121	211,750	5%
West District	8,086	798	8,884	113	197,750	4%
Agency totals	44,492	1,968	46,460	1,311	2,294,250	2%

Source: Assessor

As seen in the table, the overall use of overtime is very low at 2% of total hours again indicating that the agency is not understaffed. The highest usage was in Major Real Property and the East and West Districts. Additionally, the Districts and Major Appraisals used the highest number of retiree hours to support their operations. During the last three calendar years, the Districts used an average of 4,117 hours of retiree time and Major Appraisals used 3,534 hours. These are a fraction of the available hours and do not suggest any understaffing in these areas.

Turnover

In addition to identifying potential staffing shortage by functional area, we reviewed the overall future staffing needs based on turnover and anticipated retirements. Turnover of total staff has remained relatively constant in the past three years at about 5% of total staffing and does not indicate any staffing shortages.

What turnover exists is mostly a factor of retirements. Retirements as a percentage of total turnover have grown steadily over the past three years. The average tenure of Assessor retirees is 33 years of service. Currently 69 staffpersons are at that level of service and can be expected to retire in the near future. Additionally, there are 416 persons who have 23-33 years of service. Assuming a similar retirement rate for the future, these numbers are consistent with past retirement levels and are therefore, not anticipated to cause staff shortages for the agency.

Assessor Executive Office Staffing

There is a perception within the agency and others in County Management that the Assessor's Executive Office (primarily public outreach and public affairs functions) are overstaffed, based on the number of new Special Assistants brought on by the Assessor. Some of this was a direct result of the elected Assessor's desire for increased public outreach to other municipalities to gather more data from construction permits. This was regarded as potentially promoting a more accurate

assessment roll as well as facilitating a connection with local service organizations to educate them on exemptions available. Unforeseen at the time was the increased need for staff to deal with the public in general, and the increased media attention and information requests brought about by the allegations of impropriety.

The Assessor's Executive Office has not been formally reorganized in over twenty years to reflect its function as the public affairs division of a County department. Under previous administrations, the role of the previous Chief Deputy Assessor was to directly manage the Assessor's Executive Office without any oversight over other areas of the department (in contrast to the current structure). During that time, there were no written job descriptions identifying the designated roles and responsibilities expected to be performed by Special Assistants or any documents identifying the types of personnel who would be appropriate for the Special Assistant function.

Personnel recently added to this function report that when they arrived there were no communications plans for the various constituencies of the agency, no media contact lists, no communications budget, and no policies or procedures to address legislative initiatives. Additionally, there had been no identification of gatekeeper needs for Tax Agents or others, special requests from Board Offices or other political personnel, communications needs, media inquiries and public records act requests. Previously, these functions were performed, to the extent necessary, by the long-term Chief Deputy who left at the beginning of the current administration and took the knowledge of how to perform these jobs with him.

The personnel in the Assessor's Executive Office in past administrations were primarily appraisers who ascended to the ranks of executive management based on seniority. Few had formal training in public relations or communications responsibilities. Additionally, the lack of a formal plan and job objectives contributed to the perception of favoritism in the office since the Assessor moved several people into the office as Special Assistants or hired additional staff as desired. Public relations and communications are important functions of the

Assessor's Executive Office and further development of strategic focus for the office and job responsibilities is warranted. Until this is done, it is not possible to identify the proper staffing needs or types of individuals required to meet the job requirements.

One thing is clear, however, and that is that most of these functions will continue in the future and consideration should be given to making them permanent, professional positions in the agency rather than Special Assistants, which will continue to carry connotations of favoritism.

Recommendations:

> **Recommendation A6 -** Develop an Assessor's Executive Office under the direction of a Chief of Staff with a focus on public affairs and communications and establishing Assessor initiatives and strategies in non-operational areas. A formal strategic plan/focus for the Assessor's Executive Office should be developed as well as job descriptions for the individuals necessary to staff the office. Consideration should be given to reducing the number of Special Assistants in the office and for hiring professional personnel to adequately staff these functions. Special Assistants should be limited in number and only used for specialized needs by future Assessors.

Section A.4 – Organizational Structure

There are multiple ways to organize a government department or organization. Depending on the personnel chosen to perform the functions, different organization structures can be equally effective. However, there are some general criteria to review when assessing the effectiveness of the organizational structure or when determining organizational changes. Those criteria include:

- The levels within the organization must provide the most efficient structure to serve the goals of the organization. Too many levels lead to ineffective decision-making and too few may lead to a lack of management oversight.
- Spans of control must be sufficiently broad to ensure that the managers are being leveraged sufficiently but not so broad as to overburden these same managers.
- Placement of units within divisions should provide a synergy of function and focus.
- Areas of strategic importance to the future of the organization should be provided the visibility of senior management to ensure their success and reflect their importance to the rest of the organization.
- Organizational placement should facilitate work process efficiency.

The primary questions to be addressed in this section are:

1. Is the organizational structure efficient and effective for the agency?
2. What is the optimal management structure for the agency in the future?

The agency had a relatively constant organizational structure for the several years prior to the time the current Assessor took office on December 6, 2010. Since then, there have been numerous changes brought about by senior staff departures or the perceived need to reorganize the office. These substantial changes have caused confusion and consternation in the agency and have contributed to the perception of upheaval within the management ranks. Appendix C describes the

organizational changes that have occurred since 2008. The current organizational structure is shown in Figure A-6.

There are effectively seven supervisor levels in the appraisal organization consisting of: 1) the Assessor, 2) Chief Deputy, 3) Assistant Assessor, 4) Director, 5) Chief Appraiser, 6) Principal Appraiser, and 7) Supervising Appraiser. Spans of control of 1:4 to 1:8 are common among staff appraisers in the Districts and in Major Appraisals. Among Supervising and Principal Appraisers spans of 1:2 to 1:4 are common. Managers with span of control of 1:2 or 1:3 could handle a broader span.

Although there are several 1:1 span of control issues, the majority of spans of control are in excess of five and increase on the lower rungs of the organization. These are appropriate, given the type of work performed. 1:1 reporting relationships should only exist under one of two conditions: 1) there is a need for an internal and external focus that are both full time positions (similar to the current Assessor and the Chief Deputy), and 2) there is an anticipated near-term retirement requiring a person be trained to backfill. Although 1:1 spans of control may be appropriate in many cases, it is incumbent on management to periodically review these short span situations for efficiency and effectiveness. Areas where 1:1 spans exist include:

- Management Services between the Departmental Manager and the Acting Administrative Services Manager;
- Area 9 of the Major Personal Property Division where a Principal Appraiser has only one Supervising Appraiser direct report;
- The clerical support within the Exemption and Public Services Division where a Chief Clerk reports directly to the Head Support Services;
- In the Ownership Division, there are two positions called Head of Support Services each of which has only has one OS Supervisor reporting to her. The span of control below that level is very broad and the organization may benefit from more direct reports to the Chief Appraiser.

- The final example of a 1:1 reporting is in the Assessment Services Division where the Supervising Cadastral Engineer III only has one report, a Supervising Cadastral Engineer II.

Additional observations about the current organizational structure include:

- There is a difference of opinion among the senior management staff on whether one or two Assistant Assessors is appropriate (the agency has had both structures in the recent past). As always, a great deal depends on the individuals in the positions and the level of communications among the senior staff. But the majority of opinion, shared by the consultants, is that a single Assistant Assessor would optimize unity of command over all appraisal functions.
- Each of the Director areas of responsibility is appropriate since similar functions are reporting to a single Director. Without the Director level, the span of control for the Assistant Assessor would be too broad. Without the Assistant Assessor position consolidating all the appraisal functions, the span of control for the Chief Deputy would be excessive.
- Until recently, the agency had an Administrative Section which had HR, IT, Management Services and Training all reporting to an Admin Deputy. These functions have now been temporarily distributed to the Assistant Assessor and the Chief Deputy. This has had the effect of broadening the span of control for these managers with support functions rather than line functions.

Recommendations:

Recommendation A7 – The Assessor should implement a new Organization Structure similar to Figure A-7. This new structure features:

- A Chief Deputy overseeing all agency operations and reporting to the elected Assessor. This will ensure continuity of operations given that future Assessors may or may not have extensive

knowledge about Assessor operations. The Chief Deputy should have experience in both assessor functional areas and municipal government.

- A small IT strategy unit that would focus entirely on the future IT needs of the agency reporting directly to the Chief Deputy. Currently the primary focus of IT, as discussed elsewhere in this report, is on maintenance and development of existing systems. However, considering the pressing need for major legacy system replacement, a separate IT section focusing on strategic procurement and implementation of future IT development is needed. The Assessor recently formed an IT project management unit and this unit could form the basis for the IT strategy unit but it needs to report at a higher level to reflect the strategic importance of legacy system replacement.
- IT should be moved organizationally to report to an Administrative Deputy along with HR, Management Services and Training.
- Establish a roll reporting and forecasting function reporting to the Chief Deputy to ensure proper strategic focus of reporting and forecasting and accuracy of agency forecasts.
- The Assessor's Executive Office should be under the direction of a Chief of Staff who would act as gatekeeper for all extraneous communications and requests coming into the office including those from tax agents and campaign donors. See Section B for a further discussion. The Chief should oversee a professional public information and communications office consisting of permanent positions, as discussed earlier.

Recommendation A8 - Review short span of control situations and, based on the stated criteria discussed in this section, increase spans of control so that managers have the proper leverage and to reduce management layers.

Figure A-6 – Current Organizational Structure

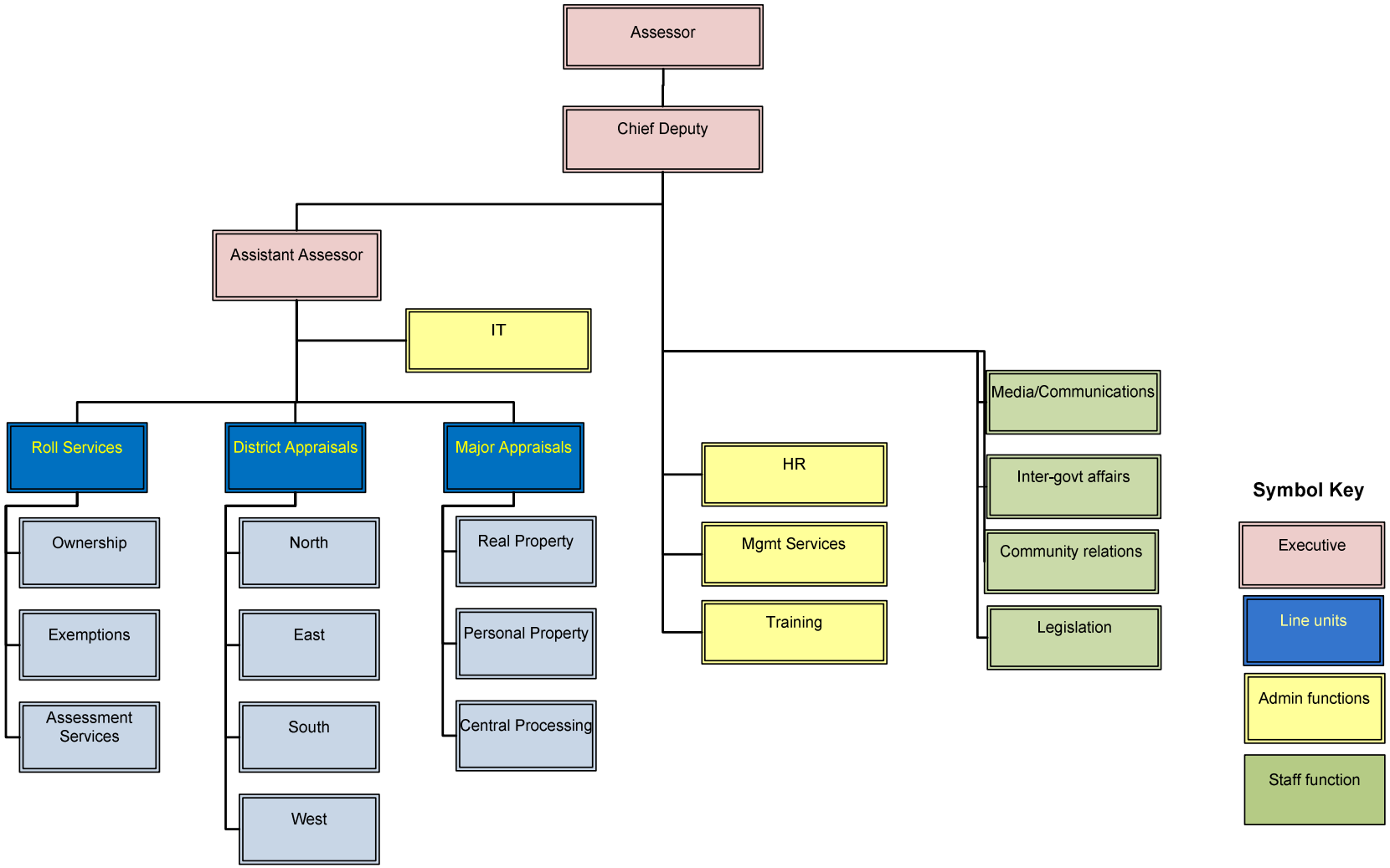
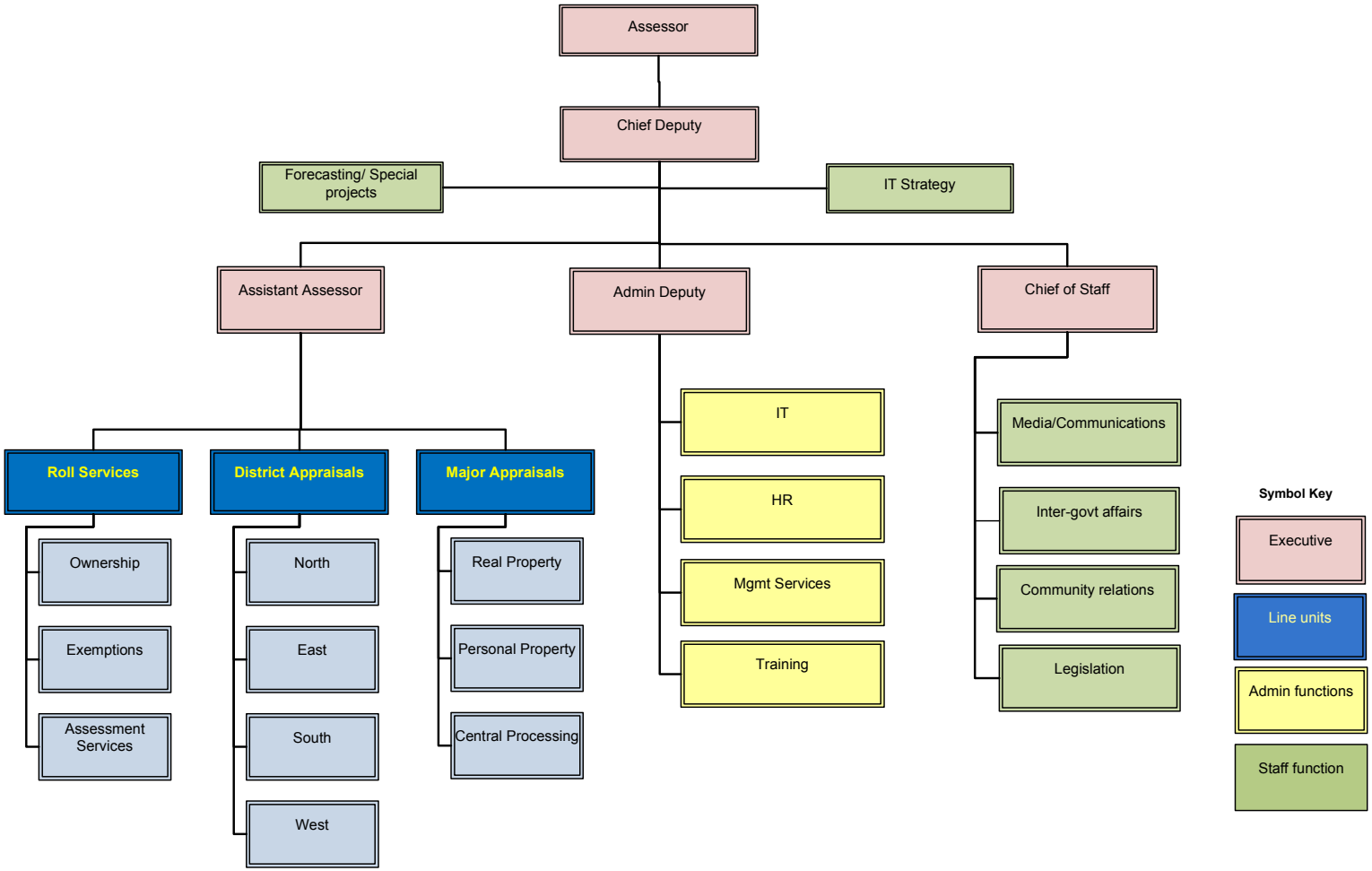


Figure A-7 – Proposed Organizational Structure



Section B - Integrity

In return for paying taxes and observing the laws and conventions of government, citizens expect that their elected and appointed public officials will (among other things):

- Serve and treat all citizens equally, without regard to status or wealth,
- Make decisions and perform their duties impartially, without bias because of personal financial interests or the interests of financial supporters,
- Regulate those who lobby public officials to prevent improper influence on public officials.

To accomplish this, Los Angeles County has implemented several County Code sections (mostly part of Title 2 - Administration) that regulate the activities of lobbyists, campaign finance disclosure and post-government employment. The Assessor has also adopted a Code of Ethics (Policy 2341-01-3) that requires most employees to adhere to policies on avoiding conflicts of interest, inappropriate outside employment, and accepting gifts in exchange for favors. State law also has provisions in the Government Code and the Revenue and Taxation (R&T) Code that prohibit influence peddling, require disclosure of financial interests and campaign contributions, and avoiding conflicts of interest upon pain of dismissal.

The County's lobbyist ordinance (Chapter 2.160) defines and requires registration for lobbyists while Chapter 2.190 prohibits candidates from accepting or lobbyists making campaign contributions. A proposed ordinance (section 2.165) would require registration of tax agents and prohibit certain activities by these agents.

During early 2012, documents emerged that allegedly show that the current elected Assessor and a few top managers in the Assessor's Office had been exchanging emails with tax agents and property owners regarding the status of

appeals cases and tax refunds. Some observers claim that these documents purport to show that certain tax agents or property owners received favorable treatment by the Assessor and his staff with regards to appeals cases. In addition, on October 18, 2012, John Noguez was arrested and charged with accepting $185,000 in bribes in exchange for providing preferential treatment for certain tax agents. The ultimate disposition of this case and the fate of Mr. Noguez is currently a matter for public prosecutors and will not be covered in this management audit.

Communications during an appeal should be limited to the tax payer, the tax payer's agent, the assigned appraiser, the Assessor's Representative (AR) and their immediate supervisors. In addition to the (clearly illegal) bribery allegations, the emails show that the Assessor and some managers got involved in appeals and valuation cases outside the normal chain of command for such cases. These emails are very similar to ex-parte communication especially with regards to assessment appeals which occur in a quasi-judicial environment where communications should be regulated to some extent. Ex-parte communication is any communication between parties in a judicial matter that may compromise impartiality, introduce bias or suggest that these occurred. At worst ex-parte communication is coercive and can result in real bias. At best it may not have a material effect on a judicial outcome but it looks bad. Courts have rules on ex-parte communication that are very strict. Quasi-judicial environments like the AAB often do not require the same level of regulation (or even any regulation) but there should be enough control over ex-parte communication so that there is no appearance of bias, coercion, unequal treatment or impartiality among the parties.

This is vitally important in that the AAB deals with matters of taxation. A taxation system requires five conditions if it is to function well and be complied with:

1. Equity – all taxpayers should be treated equally,
2. Certainty – there should be no ambiguity about how taxes are calculated or when they are due,

3. Convenience – it should be convenient for taxpayers to comply,
4. Cost of collection and efficiency – the costs of collecting should be minimized and administration should be efficient,
5. Neutrality – taxes should not unduly impact consumption or production decisions on the part of taxpayers.

The appearance (or actual occurrence) of ex-parte communication in AAB cases threatens the first condition: equity. If taxpayers feel that the property tax system in Los Angeles County is being gamed by politically connected tax payers or contributors to the Assessor's political campaigns then they will be tempted to game the system themselves to re-establish equity. Obviously this can negatively affect compliance with the system and is a major threat to the financial stability of the County. Ex-parte communication may have compromised impartiality on the part of the Assessor (by treating taxpayers unequally) but it definitely compromised the reputation and integrity of the agency, and by extension, the property taxation system in the County.

The elected Assessor received 1,525 campaign contributions during the 2010 election cycle totaling $1.14 million. Twelve percent of these contributions came from tax agents or their family members. Tax agents perform a paid service on behalf of taxpayers in that they perform the analytical work required for an assessment appeal and advocate on behalf of the taxpayer before the Board and/or with Assessor staff. This service is similar to hiring an attorney or an accountant to represent before a court or the I.R.S. and is perfectly legal. Any property owner can hire a tax agent.

While tax agents perform a valid service on behalf of property owners and taxpayers, their activities should be regulated so that the integrity of the appeals process (and by extension the property tax system) is not compromised. Specifically, the role of tax agents should be recognized legally and reasonable regulations should be in place for preventing ex-parte communication, exchanges

of gifts or gratuities, coercion, or conflicts of interest on the part of public officials like the Assessor.

Recommendations:

Recommendation B1 – The County should amend the proposed County Code section 2.165 to prohibit contributions from tax agents and their immediate family members (by blood or marriage).

Recommendation B2 – The County should send notices to all agents logged in the AAB's CRM system as taxpayer representatives for the previous twelve months with instructions to register as tax agents under County Code Section 2.165 or face enforcement action.

Recommendation B3 – The AAB should amend its Rules to designate certain parties in the CRM system when an appeal is filed (taxpayer and their representative) and within 10 days (assigned appraiser and an AR). Rules should be amended to stipulate that taxpayer representation should be limited to tax agents registered under 2.165. Rules should be amended to prohibit communication with any other parties except those designated until a case is cleared. County Code Chapter 2.165 should be amended to prohibit ex-parte communication during an active appeal by tax agents with any violation resulting in the loss of registration and a fine. AAB Rules should be amended prohibiting ex-parte communication by a taxpayer with an active appeals case with any violation resulting in the invalidation of their application. AAB Rules should be amended to prohibit ex-parte communication on the part of the Assessor or his/her staff with any violation resulting in disciplinary action (up to and including suspension) of the employee.

Recommendation B4 – AAB rules should be amended to require taxpayers/agents (and family members) to disclose gifts, campaign

contributions or donations to the Assessor or any AAB member when filing an appeal.

Recommendation B5 – The Assessor Code of Ethics should be amended such that the elected Assessor must recuse himself/herself (e.g., cannot discuss or take part) in any appeal or administrative review if he/she accepted any donations, gifts or campaign contributions from the taxpayer, agent or family members.

Recommendation B6 – The Assessor should appoint a Chief of Staff whose job description should include acting as the point of contact for campaign donors, taxpayers or tax agents. Any contact received by the Chief of Staff should be directed to a staff appraiser or their immediate supervisor if a parcel is the subject of an administrative review or to an AAB-designated party if the parcel is subject to an appeal.

Section C – Agency Scope

Introduction

California law requires that the Los Angeles County Assessor's Office assess certain categories of real and personal property for property tax purposes.[6] Our concern here is whether the Office's allocation of resources between the assessment of real property and the assessment of personal property is appropriate, considering the tax revenues received from the two broad categories of property. Put another way, what are the relative returns on investment (ROI) from assessing and taxing real property and personal property? That is, how much property tax revenue can be obtained from spending a dollar assessing real property versus a dollar spent assessing personal property? Can the ratios be improved by adopting more cost-effective policies and practices? Considerations other than ROI include whether changes in practices and performance would meet the approval of the BOE, which monitors the performance of assessors with respect to the law and its rules, and whether changed practices would put the County at risk of additional assessment appeals or other challenges.

Nationally, the trend has been to remove personal property from the property tax base, by exempting personal property altogether; by exempting categories, such as household personal property or business inventories; or by other means. The reasons vary, but cost-effectiveness is one. However, forty states, including California, tax one or more categories of business personal property. Some have practices that may be worthy of consideration by the Assessor's Office.

A difficulty in evaluating the cost-effectiveness of assessment practices is a lack of specific metrics that incorporate the *quality* as well as the quantity of inputs and

[6] Under Article XIII of the Constitution, all property is taxable unless it is specifically exempted.

outputs. Adam Smith's fourth canon of taxation, namely "Every tax ought to be contrived as both to take out and keep out of the pockets of people as little as possible, over and above what it brings into the public treasury of the state," is perhaps the most basic. In short, it holds that the ratio of administrative costs to tax revenues should be minimized.[7] Other commonly used ratios are:

- Cost per assessment (parcel of real property, personal property account, or both)
- Assessments per member of the assessor's staff (including assessments per appraiser)

If they are compared to benchmarks, qualitative elements can be incorporated, at least implicitly. See the section below entitled "Analysis and Conclusions."

Ways of evaluating assessment quality include:

- Ratio studies (see Section H, but personal property is rarely studied)
- Procedure audits (such as the BOE's assessment practices surveys)

Professional standards, such as the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the *Standard on Personal Property Assessment* issued by the International Association of Assessing Officers (IAAO) provide limited guidance on cost-effectiveness, inasmuch as they often ignore costs.[8] They—and other works—provide helpful guidance on professionally accepted practices, however.

[7] Adam Smith, 1776, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Volume 2.
[8] Appraisal Foundation, Appraisal Practices Board, 2012, *Uniform Standards of Professional Appraisal Practice*, 2012-2013 Edition, Washington, DC: Appraisal Foundation (http://www.appraisalfoundation.org). International Association of Assessing Officers, 2005, *Standard on Valuation of Personal Property*, Kansas City, MO: IAAO (http://www.iaao.org).

The Personal Property Assessment Workload

Personal property is distinguished from real property (rights in land and buildings) chiefly by the movability of most personal property items. The movable nature of personal property gives rise to differences in the way it is assessed from real property assessment, which is described in Sections G and H.

In California, the classes of tangible personal property that are assessable include certain aircraft and vessels, trade fixtures, and business tangible personal property. This section focuses on the assessment of the general categories of trade fixtures and business tangible personal property. Differences in terminology and in the statistics in various sources make it difficult to produce a detailed and accurate snapshot of the appraisal workload in Los Angeles County (or to evaluate resource allocations, as discussed later). However, Figure C-1 gives an indication of the size of the overall assessment workload in the County in 2011.

Figure C-1 - Number of assessments by category of property: 2011

Category of property	Number of assessments
Real property	2,358,000
Single-family residential parcels	1,859,000
Income residential parcels	247,000
Commercial and industrial parcels	252,000
Business personal property and fixtures	284,000
Total	**2,642,000**

Source: Los Angeles County Assessor, *2011 Annual Report*.

The assessment process involves discovery, description, valuation, and assessment. Figure C-2 (on the following page) summarizes key differences between real property assessment and personal property assessment in the first three areas. Part of the description task is the classification of property for valuation and tax purposes. Also important is the determination of *situs*, which is

part of the discovery and description processes. "Situs" basically is the determination of which tax districts are eligible to receive tax revenues from a property. The situs of real property is easily determined, because it simply is the geographic location of the land parcel relative to the boundaries of tax districts that encompass it. Situs can be ambiguous for personal property, and depends on how situs is defined legally, how mobile the personal property items in question are, and where they are located on the lien date (January 1). Suffice it to say that the determination of situs can make discovery efforts more complicated in personal property assessment.

Figure C-2 - Procedural Differences in Real and Personal Assessment

Activity	Real Property	Personal Property
Discovery	Surveys, building permits, field inspections, and photographic imagery are used in the "discovery" of land parcels and buildings.	Personal property statements. Other documents, and field inspections are used in the "discovery" of personal property holdings (that is, personal property is not always physically viewed). The initial focus is on identifying businesses that presumably own or hold taxable personal property and on the premises in which these businesses are found.
Description	Each land parcel and building is uniquely described in assessment records. The description is found in cadastral maps and property records.	Each owner's personal property holdings are categorized by such things as type of property and date of acquisition (that is, each item is not separately listed). The descriptions are mainly found in property statements.
Valuation	Each land parcel and its improvements (buildings) can be uniquely valued.	With few exceptions, items of personal property are valued alike.

Personal property assessment rolls can be maintained by monitoring published information about businesses, field inspections, and the solicitation of information via personal property tax returns such as the BOE-mandated Form 571-L,

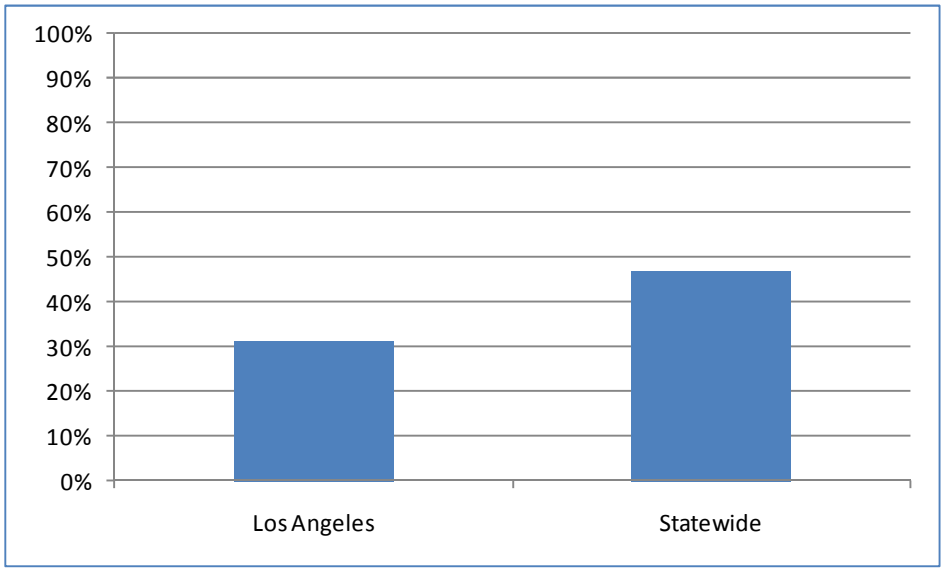
Business Property Statement.[9] The law requires that these statements be used whenever the taxpayer holds taxable personal property that cost $100,000 or more. The Assessor has discretion to furnish them to any other taxpayer. Taxpayers who receive statements are obliged to return complete accurate statements by the deadline or be subject to a 10 percent tax penalty.

Assessors can choose how other approaches discovery and description are used. The Los Angeles County Assessor places great reliance on comprehensive canvasses of more than 300,000 premises each year with the aim of discovering premises with taxable personal property. Although professionally endorsed, canvasses are time-consuming, and both BOE and IAAO advise a judicious balance of discovery approaches.[10] Appropriate use of business property statements is regarded as more cost-effective, except for the smallest, least formal businesses.

According to data published by the BOE, Los Angeles County processes some 108,000 business property statements annually, but it experiences backlogs in the processing of them. Figure C-3 (on the next page) shows the ratio of business property statements to total business property assessments (i.e., what percent of businesses get statements) comparing Los Angeles County to the statewide average.

[9] See BOE rules 171 and 172.
[10] See BOE, *Assessor's Handbook, Section 504, Assessment of Personal Property and Fixtures*, p 134, and IAAO *Standard on the Valuation of Personal Property,* p. 6.

Figure C–3 – Ratio of business property statements to business property assessments



Source: BOE

As seen in the chart, the ratio in Los Angeles County is considerably less than the statewide average. This shows that the County relies less on statements and more on other discovery techniques (like canvassing) than the State as a whole.

Nevertheless, the Assessor's Office prefers the canvass to issuing business property statements at least partly on productivity grounds. Premises are canvassed at a rate of about 14 per hour (one every 4 minutes), whereas it takes an appraiser 17 minutes to process a current-year statement (which occurs after clerical processing). The implications of this policy choice are discussed below.

A professionally recommended adjunct to a program of issuing and processing business property statements is an audit program, and California law requires audits and regulates how audit samples are to be selected.[11] For Los Angeles County the total number of prescribed annual audits is 1,686. Half of this number

[11]See Revenue and Taxation Code, §469 and BOE Rules 191 through 193.

(843) must be made from a pool of taxpayers with the largest assessments, which totals 3,372. The other half are conducted from the rest of the pool. In 2011, the first group included assessments greater than or equal to $1.8 million. Each property in this pool must be audited at least once in every four-year period after the previous audit. An equal number of audits must be made from the pool of all other taxpayers. These audits must be selected in a fair and equitable manner, but the assessor may consider evidence of under-reporting. The Office reports that its audit program resulted in more than $300 million in value being recovered.

Resources Allocated to Personal Property Assessment

Unsurprisingly, the Los Angeles County Assessor's Office has a complex organization. Responsibility for real and personal property appraisal is divided first between District Appraisals, which comprises four district offices, and the Major Appraisals Division which is further divided into Real and Personal Property Appraisal units. In each district office and in Major Personal Property, there are a number of smaller units with various geographic and functional responsibilities. Approximately 165 line appraisers have personal property appraisal responsibilities in the agency.[12] Data from the T&V system can be used to allocate the resources devoted to 1) canvasses, 2) processing business property statements, and 3) audits. It appears that appraisers spend about 54 percent of their time on these activities, which time is about evenly split among the three.[13]

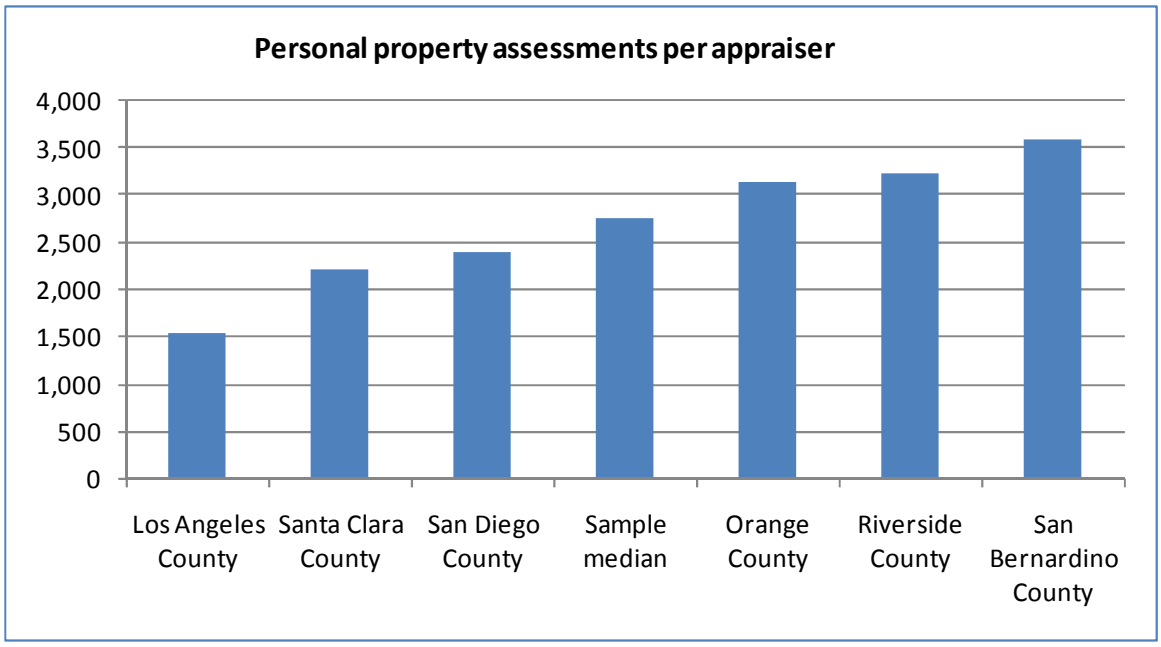
In keeping with the need to process and store hundreds of thousands of personal property assessment records each year, the County has an AS/400-based un-secured roll system, and it has initiated a personal property imaging project (PIPP).[14] The system justifiably is regarded as inefficient, because it requires extensive manual data entry.

[12] According to data submitted to the BOE, there are about 567 appraisal positions in total.
[13] Time allocations are based on a 1,750 hour work year.
[14] Statements for at least the four most-recent years should be stored and accessible under the statute of limitations that applies.

Analysis and Conclusions

Little comparative data are available for personal property auditor and appraiser workloads. However, productivity as measured by assessments per appraiser are presented below for large California counties in the following chart.

Figure C – 4 – Personal Property Funding and Staffing Benchmarks



Source: BOE

As seen in the chart, Los Angeles County is at the low end with regards to personal property assessment productivity. Although far from conclusive, this suggests the possibility of over-staffing in personal property assessment or low productivity from the existing staff.

In order to pursue this point further and to develop ROI estimates, we attempted to allocate the Assessor's budget for appraisal between real and personal property

assessment using the limited program-level data that was available.[15] Treating information technology and administration as overhead costs and using available data on staffing, estimates of the allocation between real property assessment and personal property assessment and associated estimates of ROI are displayed in Figure C-5.

Figure C–5 - Costs and Returns on Investments for Real and Personal Property Assessment: 2011

	Real Property	Personal Property
Allocation factors	0.676	0.324
Assessments per appraiser	6,156	1,545
Value per appraiser	2,705,158,743	378,621,989
Value per assessment	439,399	244,995
Cost per assessment	43.97	174.77
Cost per dollar of revenue	**0.009**	**0.097**
Revenue per dollar of cost	**117**	**10**

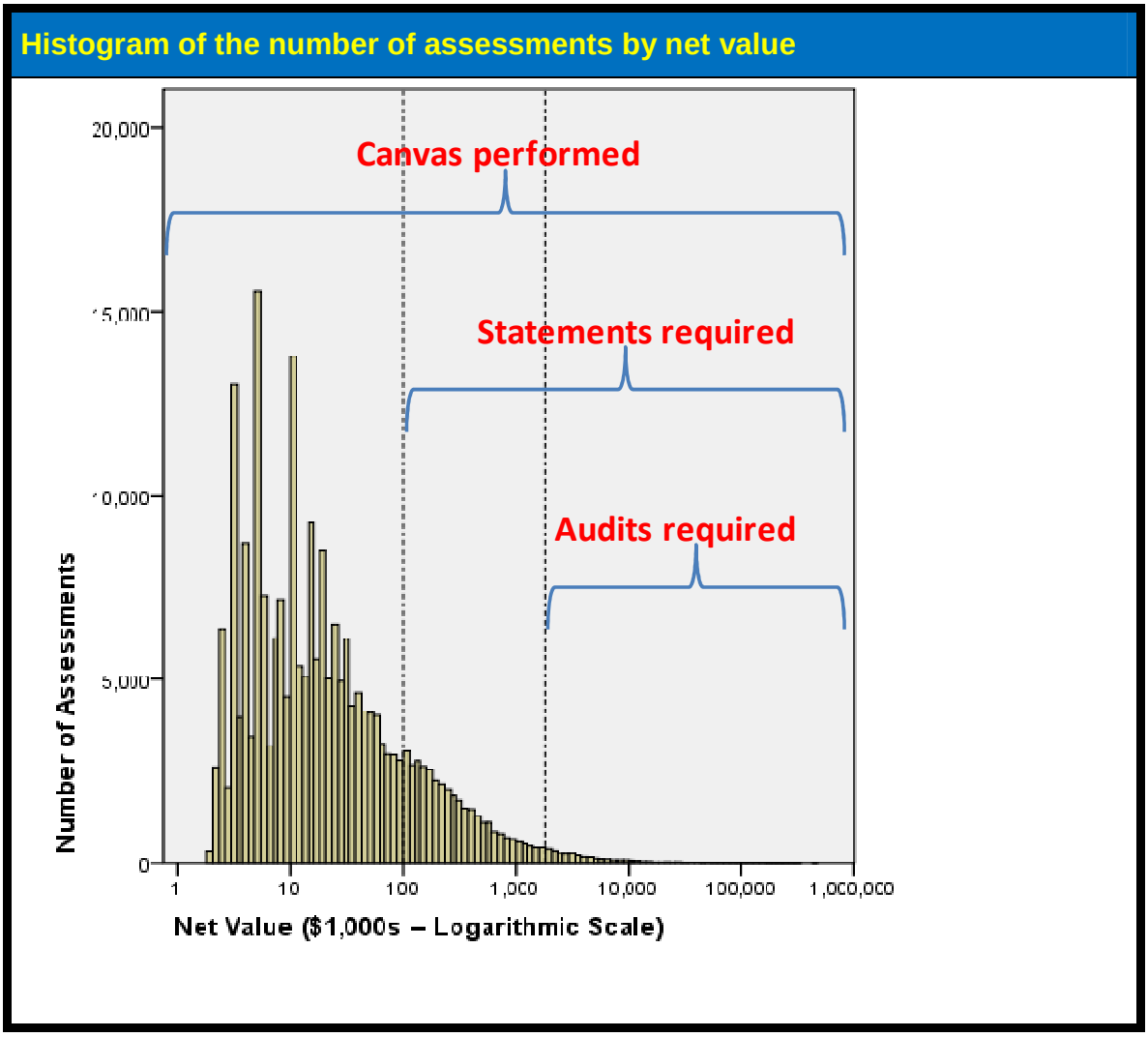
Source: BOE

The bottom two rows of the table tell the story: The ROI in assessing personal property is significantly less than that for real property. Based on the BOE data, the ratio is roughly 1:10. That is, a dollar spent on real property assessment results in $117 in property tax revenues, whereas a dollar spent on personal property assessment results in $10.

[15] A document on the 2012-2013 budget allocated a total of $150,675 among four program areas: appraisal, roll services, information technology, and administration. The sub-budget for appraisal was $83,107,000.

Figure C-6 (below) presents a graphic image of the value distribution of personal property assessments. It shows that most assessments are below $100,000 in value (i.e., the threshold for issuing business property statements). More than 93,000 assessments (33% of the total) have a value less than $10,000. (The lowest assessment is $2,001, while the highest is $433 million.)

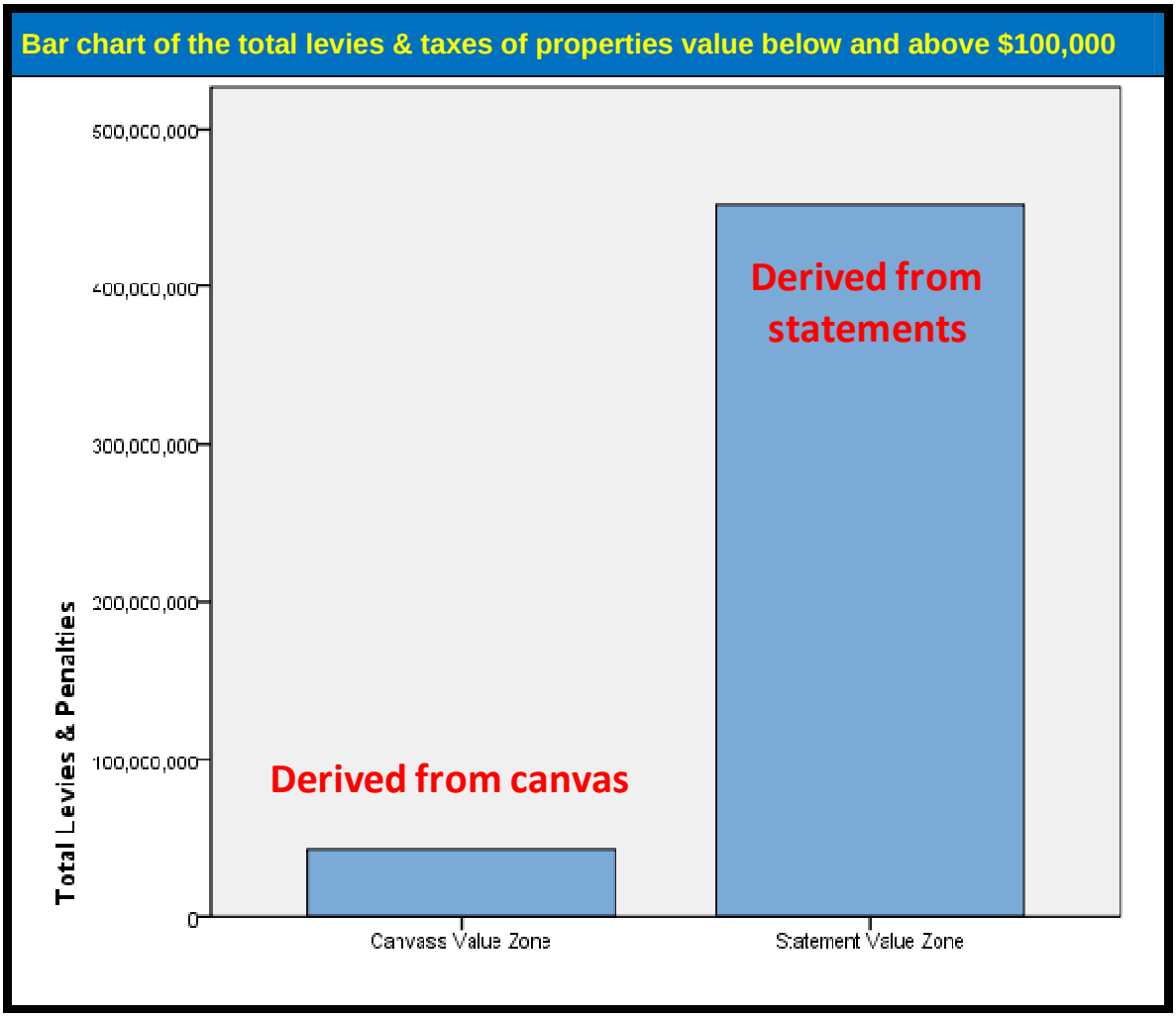
Figure C-6 – Assessments categorized by net value



Source: Assessor

Figure C-7 (below) shows conversely, that the greatest amount of value lies in properties assessed more than $100,000, those that require property statements. Those that don't require property statements (and are canvassed 100%) contribute relatively little value. Yet, the total staff time expended on the two functions (i.e., canvass and property statements) are about equal.

Figure C-7 – Value added – properties below and above $100,000



Source: Assessor

This is not to suggest that canvassing is not good practice; it is. However, a 100 percent practice is not mandatory nor is it a productive use of scare County resources. The fact that less than 5 minutes is allocated to each property during

the canvass suggests that some inspections are superficial at best, at least in relationship to the instructions in the Office's *Personal Property Handbook*.

Some low-value assessments are "retained assessments." That is, they are adjusted historical values based only on appraiser judgment. The Office does no research or analysis of typical personal property holdings in various business categories and sizes of establishments. Such square-foot guides (or models) could provide objective data to buttress appraisers' judgments.

There are several obstacles to a restructuring of the responsibilities of assessors. Tax districts likely would resist abandoning the personal property tax in California's current fiscal environment. The Assessor's Office has made substantial investments in training and documenting procedures, which would be stranded if personal property assessment were abandoned. There seems to reluctance to depart from the status quo or to consider practices not invented in the County. In addition there is little evidence of meaningful strategic planning or cost-benefit analysis to sort these issues out.

Recommendations:

Recommendation C1 –The Assessor's Office should deploy its appraisal resources more cost-effectively. Initially, it should shift resources from the canvass to processing business property statements timely.[16] It should develop a plan for canvassing businesses on a cyclical basis, so that all are visited once every four years. In time, the Office should seek additional ways to coordinate and share real property and personal property duties.

Recommendation C2–The County should make the acquisition of a more effective personal property system to replace the AS/400 a priority.

[16] New businesses and similar developments should continue to be visited in the year in which the event occurs.

Recommendation C3–The Assessor's Office should initiate research on typical personal property holdings of common businesses as a means of validating appraiser judgment. The information gathered during audits could be compiled in square foot guides that consider the type of business, the size of the premises, and qualitative differences.

Recommendation C4 – The Assessor in concert with other assessors, the BOE, and other stakeholders, should explore a legislative solution to the lack of cost-effectiveness in assessing low-value properties. Holdings of, say, less than $10,000 could be assessed on the basis of a presumptive value (which owners could challenge) or be exempted outright.

Section D – IT Management

Structure and Management of Information Technology

Under best practices as defined by Information Technology Audit Professional Standards,[17] a properly structured and managed Information Technology (IT) division is capable of demonstrating good governance and management of IT, good practices in systems acquisition, development and implementation, and good practices in systems operations, maintenance and support.

Legacy System Replacement

There are four major IT systems that enable the assessor's office to meet its goals:

1. The PDB, which relies on decades-old programming to generate the secured roll,
2. An AS/400 system, used to process the unsecured roll,
3. A network that enables myriad personal computers to access the multiple parts of the system, and
4. A data warehouse, based on PDB, containing data on the secured roll, together with over 50 additional applications built in house to improve workflow management and data processing for specific tasks (e.g. the paperless transfer system and the decline in value system).

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In the last several years, the Assessor has made three unsuccessful attempts at replacing the PDB, the agency's enterprise system for the secured roll. A consultant's report on the lessons learned from the third attempt cited the lack of readiness of the agency to manage the organizational changes and technical risks

[17] The trade group is ISACA, which once stood for Information Systems Audit and Control Association. The criteria are derived from published training materials.

of the project. It also faulted the lack of cost/benefit metrics. The former have been partially addressed by the inauguration of a program management office within the IT division. The lack of cost benefit metrics has yet to be addressed.

A second consultant's report[18] offered recommendations on an incremental rather than an all-encompassing approach to legacy system replacement, including the adoption of a service-oriented architecture (SOA) for integrating the efforts of future software vendors. This approach favors the build versus buy alternative of software development/acquisition.

Meanwhile, difficulties in performing data queries in PDB have been partially remedied by the addition of a data warehouse. An effort to integrate paperless processing capabilities into the preparation of the unsecured roll, however, failed to meet its objectives, despite being patterned after operational systems in other counties. This failure has led to high-priority exploration of possible remedies, including commercial off the shelf (COTS) software acquisition.

To minimize risk the agency should investigate the marketplace for customizable COTS software rather than an in-house solution. This would have the benefit of transferring the risk of project failure from the county, which does not have software development as a core competence, to a software vendor, who does. In minimizing risk to the agency, it also minimizes the need to identify promising software development tools and techniques and to invest in training current personnel in them.

IT Governance

The office's current governance and prioritization policies follow two tracks. First, an annual Business Automation Plan (BAP) is prepared, primarily for consumption

[18] Sierra Systems, 2011, RFP #7A-2321.

by the County Chief Information Officer (CIO) and as part of the assessor's budget-approval process with the county CEO. The plan is not revised to recognize changes resulting from the budget process.[19] Secondly, proposed projects have historically been passed through a business change request process involving approvals from four levels of personnel: 1) chief, 2) director, 3) special assistant and 4) assistant assessor.

Recently an IT program office was chartered, which defines a variety of roles, most not yet filled, including a program management office (filled), an enterprise architect (listed as contractor rather than employee, unfilled), various project managers and centers-of-excellence resources, and a number of committees.

The role of enterprise architect (currently unfilled) would be responsible for business-, information-, application-, and infrastructure architecture and would be charged with:

- Aligning IT strategy and planning with the organization's strategy,
- Optimizing IT management approaches and methodologies,
- Overseeing the activities of solution architects,
- Managing risks through appropriate standards and policies,
- Developing policies, standards and guidelines that direct the selection, development, implementation and use of IT within the organization, and
- Building employee knowledge and skills in specific areas of expertise.

[19] Although the 2005 strategic plan and the Business Automation Plan do not appear to be "living" or governing documents, it is noteworthy that the only effort to revise the current 2005 version of the strategic plan mentioned above emanated from the IT division.

Workaround Systems / Data Silos

To compensate for the drawbacks of the PDB and the personal property system, a proliferation of standalone systems have been developed over the years. Temporary Excel spreadsheets and Access or SQL Server databases have been developed to enter, summarize and analyze data that would be far better processed and preserved in a unified system, especially one that offered additional safeguards against common errors.

These workarounds and standalone databases, often referred to as the data silo phenomenon, limit the effectiveness of employees' efforts. Potential questions of personal vs. real property, for example, cannot be readily resolved and documented in particular cases. Perhaps more significantly, important data cannot readily be shared after being captured at great expense. This is particularly the case with income, expense, and capitalization-rate data, discussed in section H, although also the case in connection with the other valuation approaches.

In addition, development tools from the Microsoft Office ecosystem have been used by appraisers in the districts to build applications that automate retrieving and formatting extracts from such data pools to prepare for appeal cases. Although such labor saving initiatives are laudable, and the data being kept on shared drives are less at risk than would otherwise be the case, such a fragmented approach is not reflective of best practices in safe guarding assets, nor does it maximize their value.

Controls

Control documentation exists for trouble tickets, business change requests, and the status of current IT projects although lapses were found in the documentation. One list of business change requests and two versions of its successor, a project portfolio priorities matrix, were obtained, although they compared imperfectly.

Only two of the four change requests that had been mentioned to us in the course of our initial interviews with users could be traced to such records. The priorities matrix did not list items completed or denied to provide assurance that things had not been erroneously neglected.

Our comparison of projects listed on the biweekly status report with those on the annual Business Automation Plan (BAP) yielded some notable differences. About 12 projects worked on in the current period were not part of the BAP, while 8 other projects were in the BAP but were neither complete nor addressed in the current bi-weekly report.

There is a lack of business case and cost / benefit documentation, although no suggestion of profligate or otherwise inappropriate spending was found. Experience gained in the use of cost / benefit and risk analyses, even in connection with smaller scale projects, where it is less intrinsically warranted, would increase staff proficiency in this important area.

System documentation, especially from a user's perspective, is a resource that is not well developed or managed, and in fact is scarcely available for the various systems. The management auditors requested manuals or users guides to the secured or unsecured systems but after a month of requests, none were produced. Instead we were given policy type manuals, one training PowerPoint, and twenty linear feet of design documents for a desired replacement system were produced. Ultimately twenty miscellaneous sets of instructions on developer related specialized topics were produced, but nothing was provided that addressed the test question: "how would a user enter data in the system to generate a cost-approach value?"

Contracting strategies and policies

A case of contracting failure has recently assumed significance for the assessor. Dissatisfaction with the performance of the software company providing contracted support for the unsecured roll has escalated to the point where the County has determined that its best course of action is to seek to replace the system in its entirety. The poor support stems, in part, from the lack of any service level agreements between the assessor's IT division and any of it suppliers and from the lack of any contractual caps on service/support rate increases. A contributing factor in the unsecured system issue is the lack of recourse the county has in connection with the service failures. Since the computer code is proprietary and the source code is not licensed or available, the County has no ability to provide its own support or to contract with third parties in case of dire need.

A welcome feature of the County's contracting regulations is the freedom it has allowed the assessor's office to engage in market research. This has allowed the County to issue requests for information on system capabilities and to permit potential vendors to hold "deep-dive" demonstrations of their systems in the County's offices, sometimes using samples of the County's own data, without fear of running afoul of procurement regulations.

Management of IT-related risks

IT risks are typically quantified on a dollar basis (e.g., sums of losses of various magnitudes multiplied by the estimated probabilities of each occurring), but this sort of quantification is not being done at the Assessor. The agency's IT risk analysis, as formalized in business change request procedure (assr-151), is to characterize the probability and magnitude (high, medium, low) of each of several types of risks such as risk to roll processing, criticality to administrative operations, criticality to IT operations, and non-compliance risk. More recent risk characterizations have appeared in the project portfolio priorities matrices, where

"strategic risks" are again indentified as high, medium, or low. The type of risk is characterized by free text, along with its probability and impact (high, medium, and low).

Risk characterizations as used by the agency are too brief and don't provide enough detail to perform a proper assessment. Risk descriptors should include the identification of various contingencies and the marginal costs expected to be incurred in addressing them. For smaller projects less formal quantification may be appropriate. Greater attempts to quantify risk, along with greater attention to developing solid metrics to test whether performance expectations are being met and to raise early warnings when interim results become dubious are needed. To gain greater proficiency in the process, we would encourage the use of a formal approach even for smaller projects where it would normally not be used.

Recommendations:

Recommendation D1 – The Assessor should expedite filling the position of enterprise architect as presently envisioned.

Recommendation D2 – The Assessor's office should continue to research IT and appraisal developments in other parts of the state for their potential application as legacy-system replacements in the county, irrespective of supposed constraints imposed by technology or regulation and should consider COTS alternatives to in-house development.

Recommendation D3 – The Assessor's office should engage routinely in cost benefit analyses, even for smaller projects, in order to develop proficiency that will be crucial in connection with future larger scale undertakings.

Recommendation D4 – The Assessor's office should provide a supported IT system for collecting, entering, analyzing, and presenting income,

expense, and capitalization data in support of the income approach to valuation, and it should ensure that such resources are pooled for access by all the appraisers who have potential need of such information.

Recommendation D5 – The Assessor's office should provide documentation on how users are expected to interact with its IT systems.

Recommendation D6 – The assessor's office should consider integrated products addressing the secured roll as well as the unsecured roll during its market research on alternatives to its systems that support its unsecured roll.

Recommendation D7 – The Assessor's office should amend its contracts with vendors to incorporate service level agreements.

Section E – Workload Management / Statistical Reporting

Standard workload data (agency-wide and unit-level) is notoriously difficult to obtain at the agency and is of questionable reliability. Routine statistical data such as the number of appeals or workload backlogs require specialized assistance and queries to various data sources. This is unusual for an agency that trades in numbers and statistical modeling. It is partially explained by the limitations of the agency's workload management system: the T&V system. T&V tracks work activities and purports to determine staffing resources needed for workloads, but the workload standards (e.g., time required to perform a property transfer) used in the system are based more on actual time allocations rather than a standard to be met. The standards have become the dependent variable to be adjusted while the workload and the staffing available are the independent variables. Workload and backlog numbers in the T&V system are also suspect according to agency managers.

Forecasting and statistical reporting is currently performed by a small group of Assessor staff that report through the Special Projects unit within the IT Division.

Assessed value forecasting has become more difficult because of the impacts of the recession. Much of the roll is now valued at FMV which is typically less than the adjusted base year value. Values are therefore, more market driven rather than policy (i.e., Proposition 13) driven and much more volatile. This is likely to be the case for a few more years as the property markets recover and values are restored to their adjusted base year values. In the meantime, reporting and forecasting on roll value is likely to be more difficult than it was in the past. Forecast volatility is accentuated by the poor state of the statistical reporting systems at the agency.

In the past year, the agency has prepared roll forecasts that have met with skepticism from the BOS about their accuracy or have presented unexpected and significant changes in value. Assessor staff has presented explanations regarding this variability and lack of predictability but the BOS has expressed a lack of confidence in the veracity of the Assessor's forecasts and backup explanations. During the spring of 2012, the County retained a consulting firm to review the Assessor's roll value forecasts for December 2011, and April and May 2012. The consultant largely confirmed the forecasted value presented by the Assessor, but made a few recommendations on how the forecasts could be made more accurate.

Subsequent to the consultant's report, the County CEO and the BOS have been investigating the feasibility and potential benefits of forming an inter-agency forecasting group to formalize the tax roll forecasting process and improve the accuracy of forecasts. We believe that it would be significantly more cost-effective to retain a valuation forecasting consultant (like the firm hired earlier this year) to review the forecasts prepared by the Assessor than it would be to hire or assign staff for a specialized forecasting unit. The volatility of the forecasts should decline in the next few years as more property values stabilize and approximate their adjusted base year values. This will improve the accuracy and predictability of forecasting. At some point it the near future, the need for a forecasting specialist will likely disappear.

However, the Assessor staff that work on forecasts should formalize their protocols and procedures for developing forecasts. This will improve confidence in the forecasts and make it easier for a consultant to review, suggest corrections and comment on the Assessor's forecast. Currently, Assessor protocols and procedures for preparing forecasts are not well documented.

Recommendations:

Recommendation E1 – The Assessor should form a small forecasting unit (reporting to the Chief Deputy Assessor) to develop protocols, definitions

and data sources for statistical reporting and workload management purposes. This unit should be comprised of the current staff that perform forecasting and statistical reporting functions.

Recommendation E2 – The County CEO should retain a real property value forecast consulting firm to perform periodic reviews and attestations of tax roll forecasts prepared by the Assessor. The consulting firm would report to the CEO but work with the Assessor's forecasting unit.

Recommendation E3 – The Assessor's Office should explore ways to refine its production reporting system to incorporate returns on its investments and its resource allocations. It may be desirable to simplify the system so that it focuses less on the variety of work activities and more on work outcomes generally.

Section F – Appeals

The Appeals Process

Property owners who wish to appeal a property assessment or settle an ownership issue can file an appeal with the AAB, a unit of the Executive Office of the County's BOS. Assessment appeals is a quasi-judicial process meaning that decisions handed down have the force of law, but are not rendered by judges. The legal authority of the AAB derives from the R&T Code section 1601 et seq. The Board was created in 1964 and currently operates five Boards and several hearing officers in the basement of the Hall of Administration. Other hearing officers hold hearings in District offices around the County, although the larger or more complex cases are handled downtown. Rules for processing appeals and providing due process are promulgated by the BOE[20] and in local rules adopted by the AAB.[21] The current assessment appeals process is shown in Appendix D.

An appeals board hearing

The Assessor is represented in AAB cases by a small group of experienced ARs. The ARs are part of the Assessment Services Unit within the Roll Services Division. Subject to limits set in policy, they have discretion to recommend and agree to assessment value reductions without oversight from superiors. ARs have

[20] Assessment Appeals Manual, CA BOE, May 2003.
[21] Rules – Assessment Appeals Board, LA County BOS, June 29, 2010.

the legal standing of the elected Assessor for an active appeals case.[22] The appraiser who appears at an appeals hearing is considered an expert witness for the AR. The assigned appraiser may not be the one who actually prepared the original appraisal, particularly if the case originated from a District office. The policy that governs the role, authority and responsibility of the AR is Policy 4080-1 dating from 2007. The current policy gives broad discretion for recommending value reductions to ARs with approval thresholds starting at $5 million.[23]

Key criteria for evaluating a quasi-judicial process include provision of adequate due process protections for taxpayers and the County. Due process should provide for easy access for taxpayers into the appeals process, adequate opportunity for both the taxpayer and the County to a fair hearing, and a relatively quick decision unless these rights are waived for continued discovery purposes. ARs should represent the interests of the County and the Assessor in AAB cases by working with taxpayers, boards, and hearing officers to determine FMV.

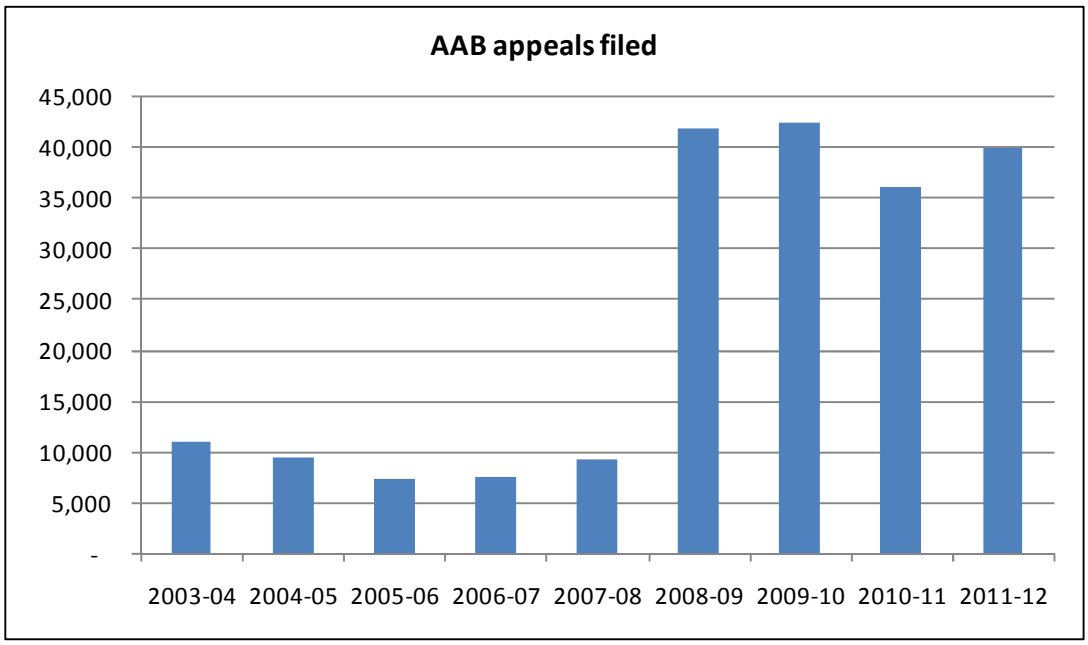
Filing Volumes and Backlogs

Historical filing volumes for the AAB range between 7,000 to 10,000 applications a year. Beginning in FY 2007-08, filing volumes increased significantly to over 40,000 annual applications. This is, of course, related to the severe economic and housing recession which began in 2008. The number of filings per appeals board (there are actually five separate boards within AAB) is approximately 7,500 cases, about double the average of 3,200 for large California counties.[24] Filings have stayed well above 30,000 applications a year since the housing recession started. Filing volumes are beginning to moderate now, but will probably not approximate historical levels for several years as application backlogs are worked off. In addition, a significant portion of the County's parcels are now valued at less than

[22] R&T Code 1610.2
[23] Policy 1502-1, Special Value Change Approval
[24] A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Office, 2010-11, February 2012, California State Board of Equalization

the adjusted base year value.[25] Continued high appeal volumes should be expected while values recover and assessed values are restored to adjusted base year values. Figure F-1 shows AAB filing volumes for the last several years.

Figure F-1 – Historical Appeals Filing Volumes



Source: AAB

About half of all cases are withdrawn at some point, or the taxpayer does not appear at a hearing. Many of these cases are withdrawn because the Assessor has already reduced the value of the parcel through an administrative review and the adjudicated value is satisfactory to the taxpayer. Another potential cause of the high number of withdrawals is that there is no cost for filing an assessment appeal so there is no impediment for filing frivolous cases. This results in wasted staff time (both in AAB and the Assessor) preparing for a hearing that ultimately does not occur. Several large California counties charge a filing fee. $35 is the typical fee charged.

[25] The adjusted base year value (usually the sales price) is adjusted upward each year by the constitutional limit established by Proposition 13.

Of the cases that do proceed (about half the caseload), most are settled prior to a full hearing, or disposed of by a hearing officer. Decisions rendered by a full Board constitute a small portion of the calendar. The R&T Code section 1604(c) stipulates that AAB decisions must be rendered within two years. This could pose a problem in a processing environment with high filing volumes and backlogs that exceed 43,000 cases (as of 6/30/12). In fact, of cases that are not disposed of quickly, taxpayers are requested to sign a waiver of the two-year rule as a condition of continuing a case beyond the first hearing date. In order to deal with backlogs more efficiently, AAB management has recently adjusted the weekly schedule so that administrative matters handled by the boards (e.g., reinstatements of no-shows, invalid applications) are done on Fridays, when many appraisers are gone, freeing up the balance of the week for proceedings that can clear calendars.

Role of the Assessor Representative

As mentioned earlier, most cases are withdrawn, decided by a hearing officer, or settled prior to a full hearing. Settlements are negotiated between the taxpayer and/or their representative (usually a tax agent that works on a contingency basis), the assigned appraiser and the AR. Settlements that are negotiated at least 30 days prior to a hearing date are processed as a stipulation that is reviewed and signed by County Counsel. Stipulations are relatively infrequent. The majority of settlements are negotiated on the day of hearing in the cafeteria across the hall from the AAB hearing rooms. ARs and appraisers show up for hearings or informal settlement conferences with a recommended value that is typically lower than the current enrolled value (due to declining values) and that they feel reflects FMV. Taxpayers and/or tax agents will then typically present information that suggests an even lower value. It has been suggested that ARs have been proposing amended recommended values that were significantly lower than the original recommended values in order expedite settlements and clear the calendar. It's also been suggested that ARs were lowering recommended values over the

objections of appraisers who felt that the original recommended values were accurate. There is no empirical data that could show whether recommended values have been reduced inappropriately by ARs as recommended values (original or amended) are not recorded in any system. However, in our observations of these informal settlement conferences we did not observe any evidence that ARs were reducing recommended values that could not be supported by data. Settlement conferences were professional, data-driven and fair. ARs would suggest a reduced recommended value if data warranted it. Otherwise they invited the taxpayer or tax agent to advocate for their position before the Board.

According to several interviewees, any inappropriate negotiating on the part of ARs in the recent past seemed to be limited to two former ARs that have since been rotated to other areas in the agency. In the past, some ARs served in this capacity for several years and may have come to identify too much with tax agents and/or were instructed to promote settlements (whether or not they reflected FMV) as a way to deal with rapidly increasing appeals cases. While this cannot be proven empirically the County should take steps to avoid an over-familiarity between ARs and tax agents that could impair their objectivity.

The Assessor is in the process of updating the policy governing the role and authority of ARs (Policy 4080-1) to emphasize the AR's role as an advocate for the agency. The proposed amended policy also decreases the discretion of ARs in changing recommended values, ties thresholds for obtaining management approvals on determining recommended values to the thresholds used in the Special Value Change policy (1502-1), and increases the reporting requirements of ARs for case dispositions. In addition, a new Guideline was issued in August 2012[26] that establishes a set of approval thresholds for reducing recommended values during informal settlement conferences that are based on percentage

[26] Guidelines for Assessment Appeals, 8/2/12

decreases. These changes will require more accountability on the part of ARs but do not address some of the underlying problems with tax agents such as ex-parte communication (addressed in Section B). In addition, the amended 4080-1 policy and the new Guidelines are not well coordinated with the requirements of the Special Value Change Approval policy (1502-1):

1. Between the two policies, an AR (or another staffperson) may have to complete up to three different reports that duplicate the same type of information: the Special Value Change report (RP-335), the Assessor's Representative Recommendation report (Exhibit I in policy 4080-1), and the AABS Case Activity Report.
2. Approval thresholds for ARs indicated in Policy 4080-1 and the new AR Guidelines refer to Policy 1502-1, but they are not consistently defined since one set of thresholds is percentage based and the other is dollar-based. It may be confusing regarding which thresholds apply to ARs.
3. The Real Property Summary form (AABS3 form) lacks the signature lines to support the approval requirements of the new AR Guidelines.

A hearing officer working with an appraiser and a tax agent. Both will typically work with the same hearing officer for several hours on a batch of cases.

It seems clear that these policy documents are still in the process of being refined and coordinated. This lack of clarity regarding the two policies and the August 2 Guidelines could result in confusion on the part of ARs as to their authority to change parcel values and could result in value reductions that exceed authorized parameters or inadequate documentation of those decisions.

Due Process Provisions

The assessment appeals process as it is currently structured in local policy and practice affords an excessive amount of due process to taxpayers and their agents. The vast majority of cases (those that are not withdrawn prior to hearing or where the taxpayers fail to appear) are continued at least once and frequently more. Typically continuances are granted at the request of taxpayers and, more frequently, agents because they are not prepared at the time of the hearing. Continuances (and withdrawals on the day of the hearing) are granted by one of the Boards during their regular session as calendared items. This obliges the parties to sit in the hearing room waiting for the item to be called whereupon the continuance or withdrawal will be granted by the Board. This waiting around (which can amount to several hours) is a drag on the productivity of Assessor staff who could be out in their district offices appraising property. It is also a waste of time for AAB staff, taxpayers and their agents. Conditions on continuances appear to be minimal (other than the two-year time limit be waived). The entire process is a mechanical, administrative process that is conducted in a full, quasi-judicial proceeding. In fact, most items on the daily calendars result in either withdrawals or continuances or are disposed of as settlements (arrived at in the adjoining cafeteria). Actual hearings are a relatively small portion of the calendar.

Placing so few restrictions or conditions on continuances is not reasonable since the discovery requirements for AAB cases are not especially extensive or onerous. BOE rules for discovery and information exchanges are well documented and provide sufficient time for exchanging the information typically needed (e.g., rent roll, income statement, expenses). It appears that tax agents are frequently not prepared for hearing because they either haven't prepared the case or their clients have not provided the necessary information.

Settlements are also presented and accepted in a routine, mechanical fashion before the Board. There is typically little discussion or questioning. Again, the

parties are obliged to wait in the hearing rooms for their items to be called whereupon they are adjudicated quickly and with little deliberation. This is another drag on the efficiency and productivity of Assessor and AAB staff as well as the taxpayers and their agents.

Per BOE rules[27] for appeals the burden of proof is on the taxpayer to show that the Assessor erred in his/her duties for all cases other than owner-occupied single family residential parcels. Yet the Assessor routinely agrees to continuances requested by tax agents if they are not prepared. This may constitute good constituent service for taxpayers but it seriously impedes the clearance rate of appeals cases and degrades the efficiency of appraisers and ARs as they are obliged to appear for hearings that never occur. With such high filing rates and backlogs this is more due process than is necessary for what are relatively simple cases.

Data Interface Between AAB and the Assessor

When an appeal is filed with the AAB, a case is established in the AAB's calendaring and case management system called the CRM system. CRM schedules cases and boards and produces a daily calendar. CRM also produces a nightly upload of data into the Assessor's appeals case management system, the Appeals Tracking System (ATS). The Assessment Services Division uses ATS to produce their own daily calendars and to schedule the appropriate appraisers and ARs for the appeals workload.

Data uploads from CRM can only be performed in text format which results in numerous data conversion issues. These conversion issues result in reliability problems for the data at the Assessor including reports and screen queries that are missing data and require additional processing. This impairs the ability of

[27] Rule 321, Assessment Appeals Manual, Calif State BOE, May 2003

Assessor management staff to schedule staff for appeals cases and to manage the appeals caseload.

Recommendations:

Recommendation F1 – The County should amend Chapter 2.44 of the County Code to charge a $35 fee for filing an assessment appeal. This filing fee will help to defray the cost of the program and will help to discourage frivolous filings.

Recommendation F2 – The AAB should amend Board rules to appoint a hearing officer to handle only continuances, withdrawals, and accepted recommendations rather than have these items presented to a board. Rules should waive appearance of parties once a hearing officer has approved the withdrawal, continuance or accepted recommendation. Withdrawals, continuances, and accepted recommendations should then be subject to Board review in the same fashion as other hearing officer decisions. The new AAB Case Activity Report can be used by the parties as a tool to document withdrawals, continuances, and accepted recommendations for review and approval by the hearing officer. Appendix D shows the proposed appeals process.

Recommendation F3 – The AAB should amend rules such that parties to an appeal must show true hardship for second (or subsequent) continuance requests. Hearing officers presented with continuance requests should deny requests except for hardship. Owner-occupied SFR cases (without tax agent representation) should be exempt from this rule. Appendix D shows the proposed appeals process.

Recommendation F4 – The Assessor should refrain from sharing case data with applicants before hearings except for formal exchange requests.

Recommendation F5 – The Assessor should continue the practice of rotating ARs every three years.

Recommendation F6 – The Assessor should streamline value reduction reporting and approval authority. Policy 1502-1 should be limited to approvals and reporting on administrative reviews. Policy 4080-1 should solely govern determination of recommended values, AR responsibilities, approval thresholds, authority, and reporting requirements. References in Policy 4080-1 to approval authority levels in Policy 1502-1 should be omitted. Approval thresholds in Policy 4080-1 for determining recommended values should be based on percentage-based according to a revised Policy 1502-1 (See Section G). Approval thresholds for subsequent adjustments to those values should be percentage-based similar to the thresholds presented in the August 2 Guidelines for Assessment Appeals. Policy 4080-1 should then replace and supersede the August 2 Guidelines.

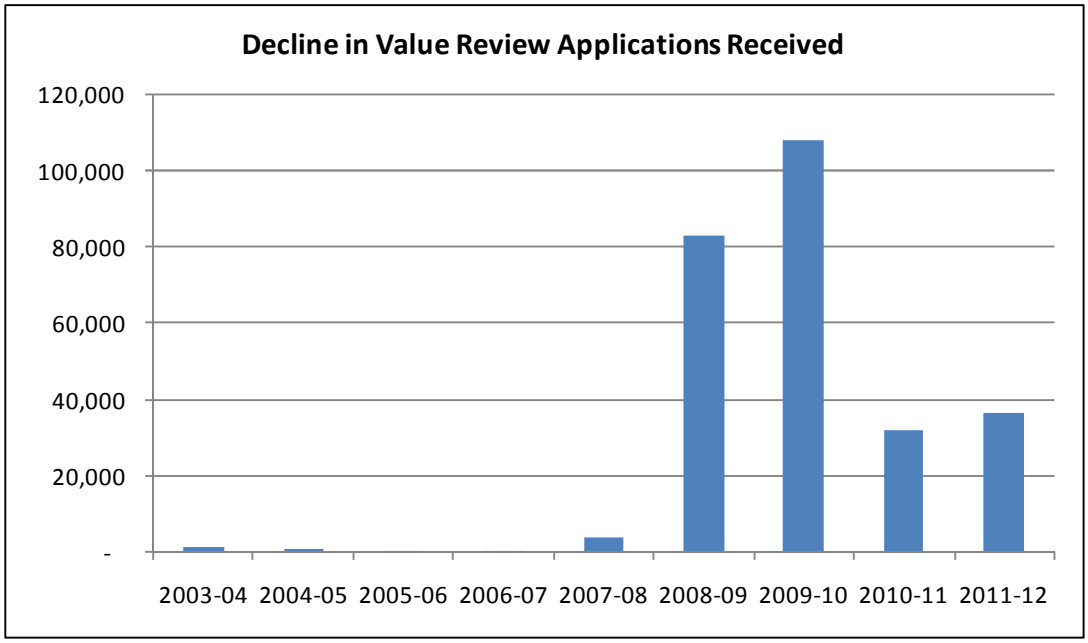
Recommendation F7 – The County should reengineer the AAB's CRM system to incorporate Assessor's scheduling and data requirements and repair data conversion issues.

Recommendation F8 – The Assessor's ATS system should be modified so that the assessor's original and adjusted recommended value is recorded for appeals cases.

Section G – DIV Processes

Assessed value reductions have historically not been a big part of the Assessor's workload as assessed values typically lag FMV due to Proposition 13 valuation limits. Proposition 8, passed in 1978, requires values to be adjusted to FMV when FMV falls below the adjusted base year value. As seen in figure G-1, starting in 2008-09, the volume of Prop 8 decline-in-value applications skyrocketed as the impact of the real estate recession was felt across the Country.

Figure G-1 – DIV Application Volume



Source: LA County Assessor

In addition to applications from taxpayers, the agency has been conducting proactive valuation adjustments based on mass appraisal methods. These proactive reviews, non-existent before 2008, have averaged nearly a half-million parcels in the last four years.

What for years had been a minor part of the agency's workload suddenly became a mass transaction work environment. The agency developed policies and systems for dealing with the huge volumes during 2010. Among these was the Special Value Change Approval Policy (1502-1) created in 2010 and the DIV system developed in 2010 that facilitated expedited appraisals of parcels for taxpayer-requested valuation reviews. These policies and systems should have controls that prevent value reductions below FMV while allowing the throughput necessary for such huge volumes.

The DIV system is a workflow-based system that stages applications for Prop 8 reductions and assigns them to appraisers. For residential properties, the system selects comparable properties (comps) based on several property characteristics, and presents them to appraisers for analysis.[28] Appraisers then make adjustments to the appraisal based on differences between the subject property and the comps and determine a proposed value for the property. This proposed value is reviewed by a supervisor prior to being enrolled. The process for commercial/industrial properties is similar except that valuation is based on financial data for the property rather than comps. Maps for both processes are presented in Appendix D.

The DIV system requires that all value reductions be approved by a Supervising Appraiser before being enrolled. However, a Supervising Appraiser can delegate his/her approval authority to another staffperson, including a staff appraiser such as the appraiser who performed the original appraisal. This delegation authority feature can result in appraisers approving their own work. This could result in valuations significantly less than FMV with a commensurate loss in property tax revenue.

Policy 1502-1 has approval thresholds for value reductions that are dollar-based and are categorized by either District or Major Property appraisals. The thresholds

[28] A detailed discussion of the valuation methods incorporated into the DIV system is found in Section D.

start at $5 million for District appraisals and $10 million for major properties. Since the thresholds are dollar-based, a property can be reduced by a significant percentage and if it is valued at less than $5 million it would fall under the thresholds for Policy 1502-1 and only require a supervisor review. And, as mentioned earlier, this review could be delegated back to the appraiser who determined the significant reduction in the first place.

Even for valuation reductions that exceed the approval thresholds in Policy 1502-1 there is no functionality in the DIV system for these valuations to be reviewed by the managerial levels specified in the policy. Policy 1502-1 does specify a form (RP-335) to be completed by the appraiser and approved by the appropriate manager, but the DIV system itself lacks these controls. Significant valuation reductions could be enrolled without any significant managerial review.[29] Again, this could result in values enrolled that are significantly less than FMV with a commensurate loss in property tax revenue.

One final control on inappropriate value reductions is the exception testing performed by the Special Projects unit (part of IT). This exception testing looks at any value reduction over $1 million. These exceptions are then sent to the District or Chief of Major Real Property where the appraisal was done for review.

Recommendations:

> **Recommendation G1 –** The Assessor should amend Policy 1502-1 so that, in addition to dollar-based thresholds, percentages should be used based on the degree that a value reduction exceeds the general market direction. Percentage-based thresholds should take precedence over dollar-based thresholds.

[29] The County's District Attorney is investigating a staff appraiser who allegedly enrolled significantly reduced valuations for a number of properties in the County.

Recommendation G2 – The Assessor should program the DIV system so that the approval thresholds found in Policy 1502-1 are programmed into the system with pass-word based approvals replacing the use of Form RP-335. Value reductions exceeding 1502-1 thresholds should be to the Chief, Director or Assistant Assessor designated in the policy.

Recommendation G3 – The Assessor should modify the DIV system so that approval authority delegation for appraisals not selected for enhanced review under Policy 1502-1 is limited to a Supervising Appraiser or a Principal Appraiser.

Section H – Valuation Methods

Erosion of Valuation Capabilities

Since the passage of Proposition 13 in 1978, California assessors largely have not had to perform the analytical work of valuing property at FMV. Instead, valuation in the State has been an exercise in factoring up prior assessments by a standard inflation factor or enrolling the sale price of subsequent transfers as the new base year assessed value. With the recent collapse of the real estate market, the need to use computer assisted mass appraisal (CAMA) techniques to track market values has assumed much greater significance. CAMA is the computerized process of valuing a group of properties as of a given date using common data, standardized methods, and statistical testing. Properly administered, the development, construction, and use of a CAMA system results in a valuation system characterized by accuracy, uniformity, equity, reliability, and low per-parcel costs. Failure to use CAMA optimally deprives the assessor of any ability to do two essential things: perform appraisals efficiently and measure the accuracy of appraisals so as to continuously improve the process. This leads ultimately to less accurate assessments and such consequences as under assessments, increased workloads in the informal and formal appeals channels, forecasting difficulties, and the potential to fail periodic BOE audits, which, in turn, may jeopardize State subsidies of the county's assessment operations.

Reversing this deficiency will require improvements in the areas of the sales-comparison-, cost-, and income-approaches to value, as well as a revival of quality assurance / quality control (QA/QC) through statistical testing, the hallmark of mass appraisal methods. Given the number of parcels in the county, it is not feasible to shun CAMA techniques in favor of single property appraisal techniques, especially when large numbers of properties are changing values.

A first step in this process is the use of modern CAMA methods to produce and preserve at least first-draft estimates of the market values of essentially all real property parcels according to the three standard methods: sales-comparison, income, and cost. Each will be covered in detail below.

Sales Comparison Method

The Assessor's current sales comparison approach starts by building an initial multiple regression analysis (MRA) based model of property value using decades old programming of a standard general-purpose statistical package (SAS). This model is used, however, not as the basis for an appraisal, but rather only to qualify sales comps, (i.e., to determine which of them seem to be valid indicators of market value untainted by extraordinary financing, intra-family transfers, personal property, or other extraordinary considerations). This step is then followed by appraising the property by adjusting the reported values of the now "validated" comparable sales for differences with any given subject property. The latter step emulates the process used by independent fee or mortgage appraisers and is called the emulator.

The initial MRA/SAS component suffers from a number of problems including an inability to model for multiplicative (or percentage) differences among properties rather than merely additive (dollar) differences, an inability to constrain coefficients, an inability to incorporate transformations as required by modern CAMA practitioners, and an inability to detect and correct appropriately for a variety of statistical difficulties that arise during modern CAMA modeling efforts.

In addition, the office has no CAMA modeler, relying instead on the coordinated efforts of an IT Senior Application Developer and an Appraisal Specialist I. In the rest of the country, valuations generated by modern MRA approaches are generally more accurate than any alternative and are commonly enrolled as

assessed values. Los Angeles County, in contrast, uses the SAS/MRA results chiefly as a screen or filter for determining whether reported sale prices appear reasonable.[30] It also is used as a filter for determining whether automatically generated appraisals under the DIV program seem reasonable or should be further fine tuned.

The emphasis on emulator or single-property-appraisal methods over CAMA methods reportedly stems from a consent decree following a contested appeal, in which a poorly explained and poorly developed MRA-based appraisal was held to be less credible than an emulator-type approach.[31]

In addition to problems with selecting and adjusting comps, location is not well captured in the valuation processes. The enterprise system for the taxable real property role, the PDB, has limited location data such as a corner lot. The County's extensive geographic information system (GIS) contains additional data such as elevation, views, distances from subjects to comparable sales, distances to (or inclusions within buffers around) value influences such as golf courses, sea shores, pollution sources, traffic nodes/corridors, etc. However, appraisers can't access GIS during the appraisal process as PDB and the GIS have no dynamic linkage. Such linkages could also eliminate a problem caused by PDB's inability to link view information with condominiums, since it is carried in the PDB data structure only as an attribute of land, not improvements to land.

In addition to lack of linkages, the emulator suffers from other problems. Much of the information recorded on the paper property data records (PDRs) is not available in the PDB system, from which the data used by the emulator is

[30] Best practice as articulated by the International Association of Assessing Offices (IAAO) in its Standard on Ratio Studies and its Standard on Verification and Adjustment of Sales calls for this process to be done via questionnaire forms or contact with the buyer or seller, not merely statistical filtering as described here. In practice, however, many jurisdictions and contractors fail to meet the requirements of the latter standard.

[31] Guthrie Settlement, Superior Court of the State of California, County of Los Angeles, Case No BC 196373, November 14, 2002. Evidence from the current use of the MRA/SAS facility, formally called ADS 13, suggests that it compares very poorly with current practices in the development of sales-comparison valuations as done in current CAMA systems. See *Fundamentals of Mass Appraisal*, IAAO, 2011, pp. 249-361 and *Mass Appraisal of Real Property*, IAAO, 1999. It is noteworthy that the text of the settlement agreement explicitly does not bar the introduction of improved technology along lines similar to the technology at issue in that case.

extracted. Thus, although comparable properties with particular characteristics recorded on a PDR (e.g. slate roof) may exist on paper, such data cannot be retrieved for analysis. Many of the data elements once maintained in the PDB are now indicated as "currently no posting is being done to this field."

The emulator process also suffers from poorly justified parameters used to select comparable properties and to perform the adjustments to the subject property to complete the appraisal. In modern CAMA systems, the parameters for such emulator-like selection and adjustment operations are derived from MRA/SAS-like analyses, although done with much greater sophistication, perhaps using locally or spatially weighted regression and datasets covering a longer time span with defensible adjustments for time.[32]

Another serious shortcoming of the emulator-type approach is that it introduces an unnecessarily high degree of random sampling variability into the process. Samples sizes of three are inherently less trustworthy than those of 50 or 100. Small sample sizes, generally employed by single property appraisers, are an artifact of manual practices dating from a time when a sole-practitioner would not be able to handle larger numbers of comparables manually. In contrast, modern CAMA systems use locally weighted regression as regards both geography and other attributes. Even if the last word is not to be given to CAMA systems the approach provides a means to ensure that the factors used in a follow-on emulator-type step are valid, which the present methodology lacks. The absence of objectively derived parameters in the emulator,[33] coupled with the lack of a

[32] Current County practice is to use a very short period of time, as little as six months, from which to draw sales for analysis using MRA and for selection and adjustment in the emulator. This obviates the need to develop time adjustments (which are much more feasibly done in modern CAMA systems than in the past) but exacerbates the variability problems inherent in small sample sizes. See *Mass Appraisal of Real Property*, IAAO, 1999, pp. 263-270 and *Fundamentals of Mass Appraisal*, IAAO, 2011, pp. 147-166. To some extent the County is constrained by R&T Code section 402.5, which reasonably requires comparables to be "sufficiently" near in time, location, and other characteristics to the subject, but concludes by barring any sale more than 90 days after the lien date. This curious provision is not a major impediment to CAMA, however, inasmuch as such systems typically go back, not forward, in time to increase sample sizes, and hence appraisal reliability, as necessary.

[33] Appraisal judgment is the universally cited source for such factors, but the adjustment factors actually used in the emulator for differences in such characteristics as bedroom counts are reportedly rarely changed by appraisers, despite diverse circumstances, and in any event the emulator per se offers no means by which the most appropriate adjustment factors may be objectively developed.

QA/QC infrastructure (see below), increases the likelihood that appraisals are less accurate than national norms.

The data elements capturing location are “ADS districts,” of which there are about 150 for the county, and “clusters,” which are proper subsets of ADS districts. There are about 418 clusters for single-family residences in the county, about 100 for condominiums and about 275 for income-producing residential properties.

Clusters are the approximate equivalent of economic areas in modern CAMA terminology and currently the primary means of incorporating location in valuations. Clusters are named groups of map books defined about 40 years ago by personal-property canvassers who attempted to reflect areas of relative economic homogeneity at the time. They have been largely unchanged since then despite subsequent economic developments. A current attempt to address this problem in the south administrative district has improved the situation, for example by splitting one map book that encompassed two school districts of different quality between two different clusters.

Cost Method

The Assessor’s cost approach is acceptable although very poorly supported from an IT perspective. The County commendably researches costs from construction contractors to develop revised schedules where published sources have not reflected innovative cost reductions, such as with concrete tilt-up warehouses. Areas for potential weakness remain, however, including a lack of attention to calibrating depreciation curves (reportedly due to the fragility of the computer system).

Our primary concern in the cost area is that there is inadequate support for automating and documenting the multiple table-rate lookups and extensions that are potentially required for such appraisals. The current system relies excessively

on paper records although an Excel worksheet may be used to facilitate some of the multiplications and additions.

Modern CAMA systems, in contrast, provide error checking in code selection, automatic table lookups, and preservation of the detailed data entered. They thereby minimize the scope for arithmetic and lookup errors and maximize the ability to perform subsequent re-estimation of cost-approach values based on factor prices. Such systems are also, of course, far less vulnerable to catastrophic loss than those that rely, as here, on paper based records.

Income Method

The Assessor's income approach to the valuation of income producing properties, such as apartments, office buildings, and the like is hobbled by its reliance on data obtained either from appealed assessments or from published sources, such as CoStar,[34] trade publications, MLS, and similar sources for specialized properties, such as shopping centers and hotels. Best practices in assessment presume that requests for schedules of income and expense (I&E) data are sent out annually to owners/managers so that income, expenses, and capitalization rates can be derived from the broadest possible sample. This allows for data to be normalized so that both superb and poor management practices can be abstracted away. This enables appraisers to work with typical (or "economic" or "market") data for properties instead of having to rely on smaller, more easily biased samples where property management may be inferior or where below market rents can bias estimated market values.[35]

[34] CoStar, although arguably the pre-eminent national source for this kind of data on commercial property cannot possibly compare to the wealth of data potentially available by right to the assessor. CoStar boasts 1.8 million property reports, but these are spread across about 200 markets nationwide. By comparison, the county has about 200,000 commercial parcels in its secured database. A proposal to increase the county's capabilities and thereby decrease its reliance on CoStar in this regard was recently considered but abandoned by the assessor's office upon the resignation of its champion for other reasons.

[35] The text *Fundamentals of Mass Appraisal*, IAAO, 2011, p.87, for example, notes that I&E data requests principally addressed to appellants, as the County's are, will likely generate data that may not be representative of the overall market. Recall that the objective is to estimate market value, not the values as affected by superior or inferior management practices.

The Assessor's data sets are sub-optimally small and potentially biased due to the absence of actual income and expense data. Also, the available data are not being shared optimally among appraisers. Small user-generated applications to facilitate the sharing of such information have been developed both in the Districts and downtown, only to fall into disuse as personnel are rotated to other positions and can no longer support them.[36] A further discussion of these handy little databases is found in Section D.

The Assessor currently has authority to "compel" the disclosure of such information from property owners, but has failed to do so because of poor response rates in the past and the lack of any consequences for property owners who fail to comply. Two potential ways to address such noncompliance can be tested. First, inasmuch as the County has adopted the labor-intensive practice of canvassing personal property owners, the canvassers can encourage the completion and submission of forms requesting I&E data.[37] Second, AAB rules can be changed to prohibit the appellant's introduction of income, expense, or capitalization rate evidence unless the property owner's returns were timely filed with the assessor.

Quality Assurance & Control

Quality assurance and related testing is not a major emphasis in the assessor's office despite being one of the hallmarks of mass appraisal. The pre-eminent tool for measuring assessment accuracy is an assessment-to-sale-price ratio (ASR) study comparing assessors' estimates of market values to sale prices. Widely accepted standards for ASR have been developed by IAAO[38].

The Assessor cannot conduct an ASR study because it does not maintain records of its estimates of the market values of assessable properties. Instead it relies

[36] An IT project to address this problem by procuring and formally supporting a replacement called Narrative 1 is currently underway, although there is some concern that the project may be disproportionately focused on presenting available information attractively and less on maximizing opportunities to share data among the multiple appraisers who would find it relevant.
[37] This may be difficult in situations where the business owner does not own the property.
[38] Standard on Ratio Studies, IAAO, 2010.

only on base-year values and subsequent assessed values, constrained by the various constitutional provisions (i.e., Prop 13) to which those assessments are subject.

The lack of data necessary for ASR-based quality monitoring is not a universal problem among California County Assessors. Santa Clara, among other northern counties, for example, uses CAMA techniques to estimate the market value of 88% of its residential properties each year. It also makes the results available to taxpayers each year on its web site, thereby affording an opportunity for property owners to judge the reasonableness of such estimates without having to go through labor-intensive appeals processes.

The availability of estimates of market value that pre-date sale prices makes it possible to implement quality control programs to judge the accuracy of those estimates and to test for the presence of remediable systematic biases in the valuation processes related to such things as location and depreciation.

There are still other potential QA/QC measures that could be used by the County. A possibility raised by County assessment personnel is the practice of blind appraisals: having personnel appraise properties for which there are known sale prices, but withholding from the appraiser both the actual price and the knowledge that the subject property was recently sold. Given the data sources available, this could only feasibly be done with residential properties, since essentially all the sources used by major property appraisers are published.

Absent the ability to measure the quality of appraisal results, some QC may still be possible with regards to the quality of appraisal inputs. During the South District's re-clustering efforts, for example, it was discovered through GIS plots that improper cluster numbers had been recorded on a significant number of records in the PDB, leading to improper locational attributes being attributed to such records. Similar techniques have been reported in the IAAO literature in which GIS-based

quality-control programs were developed to check the consistency both of objective data, such as building age,[39] and also of subjective judgments such as quality class.[40] The County has done no such work and almost surely needs to do so.

One obvious area in which this technique may profitably be employed is in the rationalization of land values. Although appraisers take some care during their original appraisals in the allocation of value between land and improvements, in the appeals results we observed there was little support for the allocation of reduced assessments as between land and improvements. This will inevitably generate inconsistent land value maps, debasing one of the traditional indicators of assessment legitimacy.

Compliance

The Assessor passed the most recent quinquennial quality-control test of valuation level, performed as part of the 2008 audit by the BOE. There are no outstanding deficiencies in this regard according to the Board.

Recommendations:

Recommendation H1 – The Assessor should integrate the valuation resources of the county's GIS into the assessor's valuation activities, including the possibility of two-way automated data transfer, with additional consideration being given to developing statistically defensible surfaces to express locational influences systematically.

Recommendation H2 – The Assessor should use modern CAMA methods to produce and preserve at least first-draft if not final estimates of the market values of essentially all real property parcels each year in the

[39] Such data could also be the subject of QC efforts using other resources, including the oblique photography obtained periodically by the County, but not used as intensively by assessment personnel as one might expect.
[40] See Guilford "Improving the Quality of Subjective Valuation Data," IAAO, 2001.

jurisdiction despite the fact that the vast majority of such parcels will be taxed not on their market values but rather on the constrained values required by law. The marginal cost of doing this for all parcels rather than just the ones needing to be reassessed should be trivial and should be outweighed by the benefit of increased opportunities for quality assurance.

Recommendation H3 – The Assessor should consider using personal property canvassing personnel to encourage taxpayers to submit responses to forms requesting I&E data during their routine canvassing activities in connection with personal property renditions if such canvassing practices are to be continued.

Recommendation H4 – The AAB should ensure that the evidentiary rules governing appearances before the Board prohibit appellants from introducing evidence on income, expense, or capitalization rates unless the property's own returns were timely filed with the Assessor as a means of encouraging the filing of such "required" returns for which no noncompliance penalty currently exists.

Recommendation H5 – The Assessor should initiate a program to systematically identify and remedy weaknesses in the appraisal and quality control systems arising from the degradation of mass appraisal practices following the implementation of Proposition 13. This would include an audit of cluster designations, the re-introduction of assessment ratio studies where feasible, (comparing recent sale prices to the office's estimate of the property's market value, not its constrained assessment), and an increased QA / QC role for the assessment standards unit.

Recommendation H6 – The Assessor should consider integrated CAMA products during its market research into COTS alternatives to its problematic software for the unsecured roll, as noted in recommendation D6.

Appendices

Appendix A – Glossary of acronyms

Appendix B – Recommendation table

Appendix C – Organizational changes during the past five years

Appendix D – Process maps

Appendix A – Glossary of Acronyms

Acronym	Definition
AAB	Assessment Appeals Board
AP	Appraisal of Promotability
AR	Assessor's Representative
ASR	Assessment to sale price ratio
ATS	Appeals Tracking System
BOE	California Board of Equalization
BOS	County Board of Supervisors
CAMA	Computer Assisted Mass Appraisal
COTS	Commercial off the shelf (system)
CRM	Customer Relationship Manager
DIV	Decline in value
FMV	Fair market value
GIS	Geographic information system
IAAO	International Association of Assessing Officers
I&E	Income and expense
MRA	Multiple regression analysis
MRP	Major Real Properties
PDB	Property Database
PDR	Paper data record
QA/QC	Quality assurance / quality control
R&T	Revenue and Taxation (Code)
T&V	Time & Volume (system)

Appendix B – Recommendation Table

Number	Recommendation
A1	The Assessor should keep the Chief Deputy Assessor position filled to provide continuity of management. The requirements for that position should clearly state the need for both substantial assessor experience and expertise, and demonstrated managerial competence. Most likely, this person would come from within the organization and have substantial County experience. However, the individual could also come from other Assessor organizations, as desired by the agency and the County. The County Charter should be amended so that should the Chief Deputy Assessor position become vacant within six months before or after a change in the elected Assessor, the BOS would have the prerogative to appoint an acting Chief Deputy Assessor until a permanent replacement is found.
A2	The Assessor should increase the budget, opportunities and expectations for leadership and supervisory/management training for personnel in the agency including external course offerings.

Number	Recommendation
A3	The Assessor should expand the Rotation Process and, on at least an annual basis, conduct a succession planning process that would include: • Forecasting managerial departures, • Inventorying projected technical and managerial deficiencies due to departures or based on strategic planning, • Planning for remedying these deficiencies through hiring or promotions, and • Training needs for those that may be promoted.
A4	The Assessor should evaluate the promotion requirements for all Assessor items to ensure consistent criteria is used for all promotional examinations.
A5	The Assessor should implement a Peer Review of Chiefs prior to promotion to Director. The Assessor and Chief Deputy should formally obtain input from other Chiefs on who they believe would be the best candidate for a Director position. While the decision would still be based on who the Assessor believes is best qualified to manage a large section of the agency, this practice would at least provide input to the Assessor from the other Chiefs on that individual's skills and abilities.

Number	Recommendation
A6	Develop an Assessor's Executive Office under the direction of a Chief of Staff with a focus on public affairs and communications and establishing Assessor initiatives in non-operational areas. A formal strategic plan/focus for the Assessor's Executive Office should be developed as well as job descriptions for the individuals necessary to staff the office. Consideration should be given to reducing the number of Special Assistants in the office and for hiring professional personnel to adequately staff these functions. Special Assistants should be limited in number and only used for specialized needs by future Assessors.
A7	The Assessor should implement a new Organization Structure similar to Figure A-7. This new structure features: • A Chief Deputy overseeing all agency operations and reporting to the elected Assessor. This will ensure continuity of operations given that future Assessors may or may not have extensive knowledge about Assessor operations. The Chief Deputy should have experience in both assessor functional areas and municipal government. • A small IT strategy unit that would focus entirely on the future IT needs of the agency reporting directly to the Chief Deputy. Currently the primary focus of IT, as discussed elsewhere in this report, is on maintenance and development of existing systems. However, considering the pressing need for major legacy system replacement, a separate IT section focusing on strategic procurement and implementation of future IT development is needed. The Assessor recently formed an IT project management unit and this unit could form the basis for the IT strategy unit but it needs to report at a higher level to reflect the

Number	Recommendation
	strategic importance of legacy system replacement. • IT should be moved organizationally to report to an Administrative Deputy along with HR, Management Services and Training. • Establish a roll reporting and forecasting function reporting to the Chief Deputy to ensure proper strategic focus of reporting and forecasting and accuracy of agency forecasts. • The Assessor's Executive Office should be under the direction of a Chief of Staff who would act as gatekeeper for all extraneous communications and requests coming into the office including those from tax agents and campaign donors. See Section B for a further discussion. The Chief should oversee a professional public information and communications office consisting of permanent positions, as discussed earlier.
A8	Review short span of control situations and, based on the stated criteria discussed in this section, increase spans of control so that managers have the proper leverage and to reduce management layers.
B1	The County should amend the proposed County Code section 2.165 to prohibit contributions from tax agents and their immediate family members (by blood or marriage).
B2	The County should send notices to all agents logged in the AAB's CRM system as taxpayer representatives for the previous twelve months with instructions to register as tax agents under County Code section 2.165 or face enforcement action.

Number	Recommendation
B3	The AAB should amend its Rules to designate certain parties in the CRM system when an appeal is filed (taxpayer and their representative) and within 10 days (assigned appraiser and an AR). Rules should be amended to stipulate that taxpayer representation should be limited to tax agents registered under 2.165. Rules should be amended to prohibit communication with any other parties except those designated until a case is cleared. County Code Chapter 2.165 should be amended to prohibit ex-parte communication during an active appeal by tax agents with any violation resulting in the loss of registration and a fine. AAB Rules should be amended prohibiting ex-parte communication by a taxpayer with an active appeals case with any violation resulting in the invalidation of their application. AAB Rules should be amended to prohibit ex-parte communication on the part of the Assessor or his/her staff with any violation resulting in disciplinary action (up to and including suspension) of the employee.
B4	AAB rules should be amended to require taxpayers/agents (and family members) to disclose gifts, campaign contributions or donations to the Assessor or any AAB member when filing an appeal.
B5	The Assessor Code of Ethics should be amended such that the elected Assessor must recuse himself/herself (e.g., cannot discuss or take part) in any appeal or administrative review if he/she accepted any donations, gifts or campaign contributions from the taxpayer, agent or family members.

Number	Recommendation
B6	The Assessor should appoint a Chief of Staff whose job description should include acting as the point of contact for campaign donors, taxpayers or tax agents. Any contact received by the Chief of Staff should be directed to a staff appraiser or their immediate supervisor if a parcel is the subject of an administrative review or to an AAB-designated party if the parcel is subject to an appeal.
C1	The Assessor's Office should deploy its appraisal resources more cost-effectively. Initially, it should shift resources from the canvass to processing business property statements timely.[41] It should develop a plan for canvassing businesses on a cyclical basis, so that all are visited once every four years. In time, the Office should seek additional ways to coordinate and share real property and personal property duties.
C2	The County should make the acquisition of a more effective personal property system to replace the AS/400 a priority.
C3	The Assessor's Office should initiate research on typical personal property holdings of common businesses as a means of validating appraiser judgment. The information gathered during audits could be compiled in square foot guides that consider the type of business, the size of the premises, and qualitative differences.
C4	The Assessor in concert with other assessors, the BOE, and other stakeholders, should explore a legislative solution to the lack of cost-effectiveness in assessing low-value properties. Holdings of, say, less than $10,000 could be assessed on the basis of a presumptive value (which owners could challenge) or be exempted outright.

[41] New businesses and similar developments should continue to be visited in the year in which the event occurs.

Number	Recommendation
D1	The Assessor should expedite filling the position of enterprise architect as presently envisioned.
D2	The Assessor's office should continue to research IT and appraisal developments in other parts of the state for their potential application as legacy-system replacements in the county, irrespective of supposed constraints imposed by technology or regulation and should consider COTS alternatives to in-house development.
D3	The Assessor's office should engage routinely in cost benefit analyses, even for smaller projects, in order to develop proficiency that will be crucial in connection with future larger scale undertakings.
D4	The Assessor's office should provide a supported IT system for collecting, entering, analyzing, and presenting income, expense, and capitalization data in support of the income approach to valuation, and it should ensure that such resources are pooled for access by all the appraisers who have potential need of such information.
D5	The Assessor's office should provide documentation on how users are expected to interact with its IT systems.
D6	The Assessor's office should consider integrated products addressing the secured roll as well as the unsecured roll during its market research on alternatives to its systems that support its unsecured roll.
D7	The Assessor's office should amend its contracts with vendors to incorporate service level agreements.

Number	Recommendation
E1	The Assessor should form a small forecasting unit (reporting to the Chief Deputy Assessor) to develop protocols, definitions and data sources for statistical reporting and workload management purposes. This unit should be comprised of the current staff that perform forecasting and statistical reporting functions.
E2	The County CEO should retain a real property value forecast consulting firm to perform periodic reviews and attestations of tax roll forecasts prepared by the Assessor. The consulting firm would report to the CEO but work with the Assessor's forecasting unit.
E3	The Assessor's Office should explore ways to refine its production reporting system to incorporate returns on its investments and its resource allocations. It may be desirable to simplify the system so that it focuses less on the variety of work activities and more on work outcomes generally.
F1	The County should amend Chapter 2.44 of the County Code to charge a $35 fee for filing an assessment appeal. This filing fee will help to defray the cost of the program and will help to discourage frivolous filings.

Number	Recommendation
F2	The AAB should amend Board rules to appoint a hearing officer to handle only continuances, withdrawals, and accepted recommendations rather than have these items presented to a board. Rules should waive appearance of parties once a hearing officer has approved the withdrawal, continuance or accepted recommendation. Withdrawals, continuances, and accepted recommendations should then be subject to Board review in the same fashion as other hearing officer decisions. The new AAB Case Activity Report can be used by the parties as a tool to document withdrawals, continuances and accepted recommendations for review and approval by the hearing officer. Appendix D shows the proposed appeals process.
F3	The AAB should amend rules such that parties to an appeal must show true hardship for second (or subsequent) continuance requests. Hearing officers presented with continuance requests should deny requests except for hardship. Owner-occupied SFR cases (without tax agent representation) should be exempt from this rule. Appendix D shows the proposed appeals process.
F4	The Assessor should refrain from sharing case data with applicants before hearings except for formal exchange requests.
F5	The Assessor should continue the practice of rotating ARs every three years.

Number	Recommendation
F6	The Assessor should streamline value reduction reporting and approval authority. Policy 1502-1 should be limited to approvals and reporting on administrative reviews. Policy 4080-1 should solely govern determination of recommended values, AR responsibilities, approval thresholds, authority, and reporting requirements. References in Policy 4080-1 to approval authority levels in Policy 1502-1 should be omitted. Approval thresholds in Policy 4080-1 for determining recommended values should be based on percentage-based according to a revised Policy 1502-1 (See Section G). Approval thresholds for subsequent adjustments to those values should be percentage-based similar to the thresholds presented in the August 2 Guidelines for Assessment Appeals. Policy 4080-1 should then replace and supersede the August 2 Guidelines.
F7	The County should reengineer the AAB's CRM system to incorporate Assessor's scheduling and data requirements and repair data conversion issues.
F8	Recommendation – The Assessor's ATS system should be modified so that the assessor's original and adjusted recommended value is recorded for appeals cases.
G1	The Assessor should amend Policy 1502-1 so that, In addition to dollar-based thresholds, percentages should be used based on the degree that a value reduction exceeds the general market direction. Percentage-based thresholds should take precedence over dollar-based thresholds.

Number	Recommendation
G2	The Assessor should program the DIV system so that the approval thresholds found in Policy 1502-1 are programmed into the system with pass-word based approvals replacing the use of Form RP-335. Value reductions exceeding 1502-1 thresholds should be to the Chief, Director or Assistant Assessor designated in the policy.
G3	The Assessor should modify the DIV system so that approval authority delegation for appraisals not selected for enhanced review under Policy 1502-1 is limited to a Supervising Appraiser or a Principal Appraiser.
H1	The Assessor should integrate the valuation resources of the county's GIS into the Assessor's valuation activities, including the possibility of two-way automated data transfer, with additional consideration being given to developing statistically defensible surfaces to express locational influences systematically.
H2	The Assessor should use modern CAMA methods to produce and preserve at least first-draft if not final estimates of the market values of essentially all real property parcels each year in the jurisdiction despite the fact that the vast majority of such parcels will be taxed not on their market values but rather on the constrained values required by law. The marginal cost of doing this for all parcels rather than just the ones needing to be reassessed should be trivial and should be outweighed by the benefit of increased opportunities for quality assurance.

Number	Recommendation
H3	The Assessor should consider using personal property canvassing personnel to encourage taxpayers to submit responses to forms requesting I&E data during their routine canvassing activities in connection with personal property renditions if such canvassing practices are to be continued.
H4	The AAB should ensure that the evidentiary rules governing appearances before the Board prohibit appellants from introducing evidence on income, expense, or capitalization rates unless the property's own returns were timely filed with the Assessor as a means of encouraging the filing of such "required" returns for which no noncompliance penalty currently exists.
H5	The Assessor should initiate a program to systematically identify and remedy weaknesses in the appraisal and quality control systems arising from the degradation of mass appraisal practices following the implementation of Proposition 13. This would include an audit of cluster designations, the re-introduction of assessment ratio studies where feasible, (comparing recent sale prices to the office's estimate of the property's market value, not its constrained assessment), and an increased QA / QC role for the assessment standards unit.
H6	The Assessor should consider integrated CAMA products during its market research into COTS alternatives to its problematic software for the unsecured roll, as noted in recommendation D6.

Appendix C – Organizational changes during the last five years

Year	Organization Description
2008-09—Rick Auerbach Total Budgeted Positions = 1511	• Two Direct Reports to Assessor: Assistant Assessor and Chief Deputy • Reporting to Assistant Assessor were: Admin/Roll Services (Exemptions, Management Services, Ownership and HR), District Appraisals(including 13 retirees comprising Special Projects), Major Appraisals (Systems Interface, Major Personal, Major Real, Central Proc, and Assessment (including Training, Standards, AABs and Legislation, and Special Investigations) and Reengineering and Technology (IT and Mapping) • Reporting to Chief Deputy were five Special Assistants, two staff assistants and an Administrative Assistant.
2009-10—Rick Auerbach Total Budgeted Positions = 1489	• Training moved from Assessment Services to HR • Special Projects moved to Admin/Roll Services • Public Information Assistant no longer a position reporting to Chief Deputy. • Central Processing moved from direct report to Major Appraisals to Assessment Services
2010-2011—Rick Auerbach Total Budgeted Positions = 1489	• One fewer Special Assistants reporting to Chief Deputy. • Reengineering and Tech Director only had one report—IT. Reengineering was no longer a separate Division.
May 2010—Robert Quon	• Mr. Noguez was made a Special Assistant reporting to Chief Deputy. • Special Assistant reporting direct to Assistant Assessor
2011-2012—John Noguez	• Mapping moved to Admin/Roll Services • Project Management created

Total Budgeted Positions = 1467	comprising Statistical Support and Special Projects in IT. • Admin in District Appraisals went from 4 to 13 positions. • Two Additional ordinance positions as Staff Assistants under Chief Deputy.
John Noguez—January 2012	• Added a Chief of Staff as direct report with all other staff reporting to him (Mr. Carlos) • Departure of long term Chief Deputy • Two Assistant Assessors. • One Assistant Assessor had IT, Roll Services (Ownership, Exemptions and Assessment Services) and Administration (HR, Mgmt. Services, and Training). • Mapping moved to Assessment Services. • The Second Assistant Assessor had District Appraisals and Major Appraisals (Major Real property and Major Personal Property) • Central Processing moved to Major Appraisals. • Executive Office had a Supervising Special Assistant (with Property Owner Advocate Special Assistant, Community Outreach Special and three Staff Assistants) and a Communications Director Special Assistant, a Valuations Special Assistant, and a Legislation Special Assistant.
John Noguez—February 2012	• Departure of Chief of Staff Mr. Carlos replaced by Mr. Renkei, who had one Assistant Assessor (District Appraisals and Major Appraisals), IT, Roll Services, Administration, and Executive Office reporting to him.
John Noguez—March 2012	• One Chief of Staff with Roll Services, Administration, District Appraisals, Major Appraisals and Executive Office reporting to him. • IT reported to Administration. • No Assistant Assessor; District Appraisals and Major Appraisals now reported direct to Chief of Staff. • Personnel changes at Director level due

	to retirement.
John Noguez—April 2012	• IT moved to Administrative Services. • No other organization changes—only personnel changes.
John Noguez Assessor, On Leave Santos Kreimann, Chief Deputy Assessor-June 2012	• Mr. Noguez takes leave of absence • Mr. Renkei Assistant Assessor with Roll Services, Administration, District Appraisals and Major Appraisals reporting to him. • Executive Office reports to Chief Deputy.
John Noguez, on Leave Santos Kreimann, Chief Deputy Assessor-August 2012	• Admin Deputy on Administrative leave. • Functions divided between Chief Deputy (HR, Mgmt Serv. and Training) and Assistant Assessor (IT). • Assistant Assessor position is vacant.
John Noguez –on leave Santos Kreimann, Chief Deputy Assessor—September 1, 2012	• Chief Deputy Assessor head of Department; Assessor still on Administrative Leave • Two Assistant Assessors, HR, Management Services, Training and Executive Office reporting to Chief Deputy. One Assistant Assessor position is vacant. • The other Assistant Assessor has Roll Services (Ownership, Exemptions, Assessment Services, including Standards, AABs/legislative and Mapping), District Appraisals, Major Appraisals and IT.

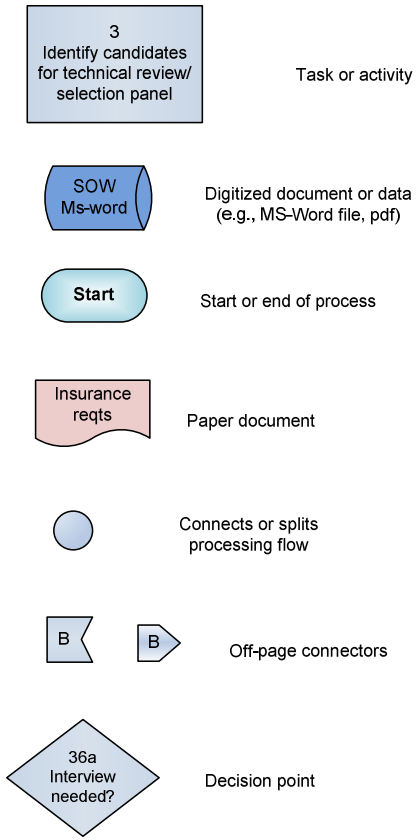
Appendix D – Process Maps

1. AAB Appeals – Current Process
2. AAB Appeals – Proposed Process
3. DIV Residential – Current Process
4. DIV Commercial/Industrial – Current Process

1. AAB Appeals – Current Process

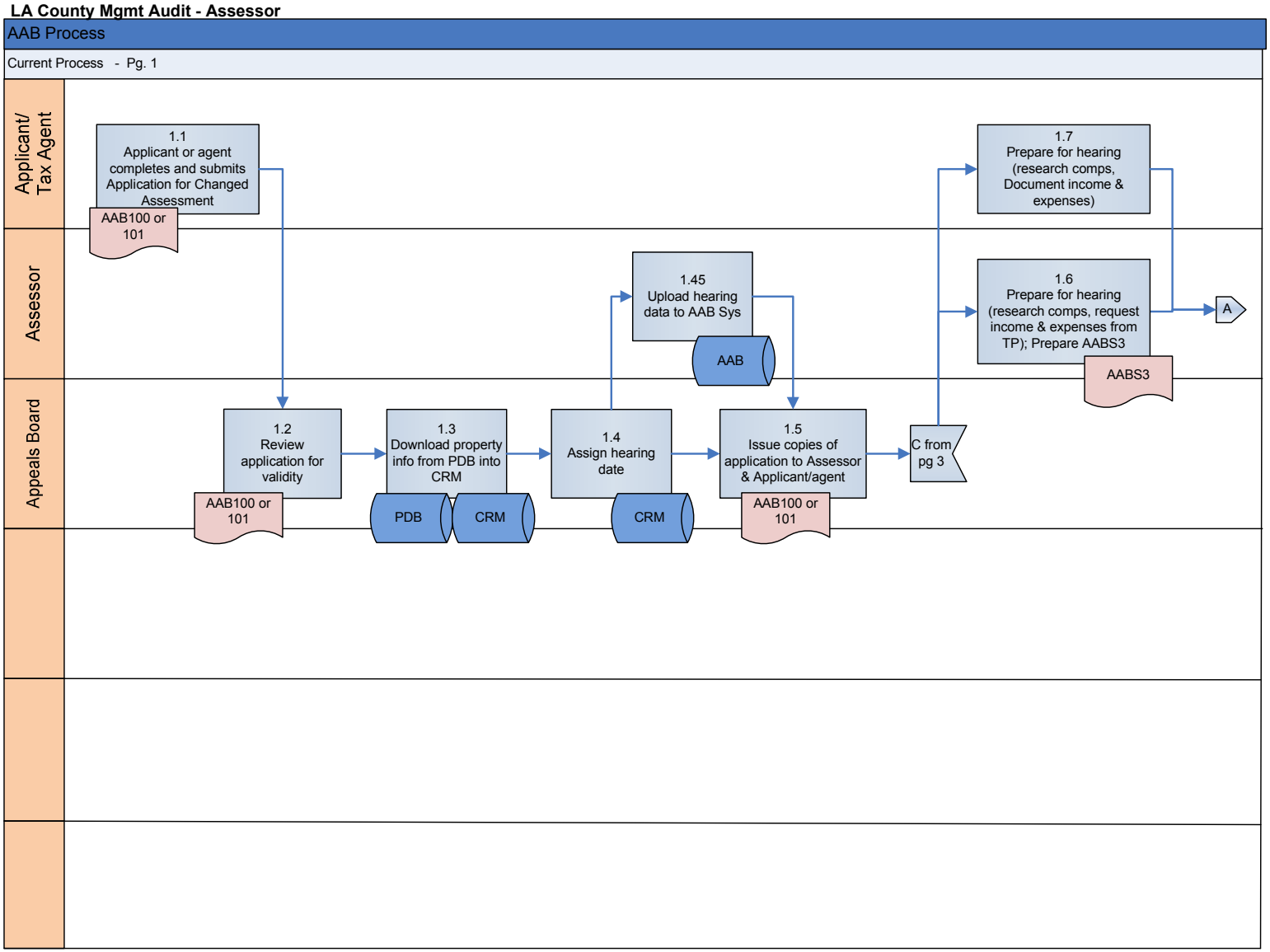
Title of Process: AAB Appeals – v.1
Created: 8/8/12
Last modified: 8/23/12

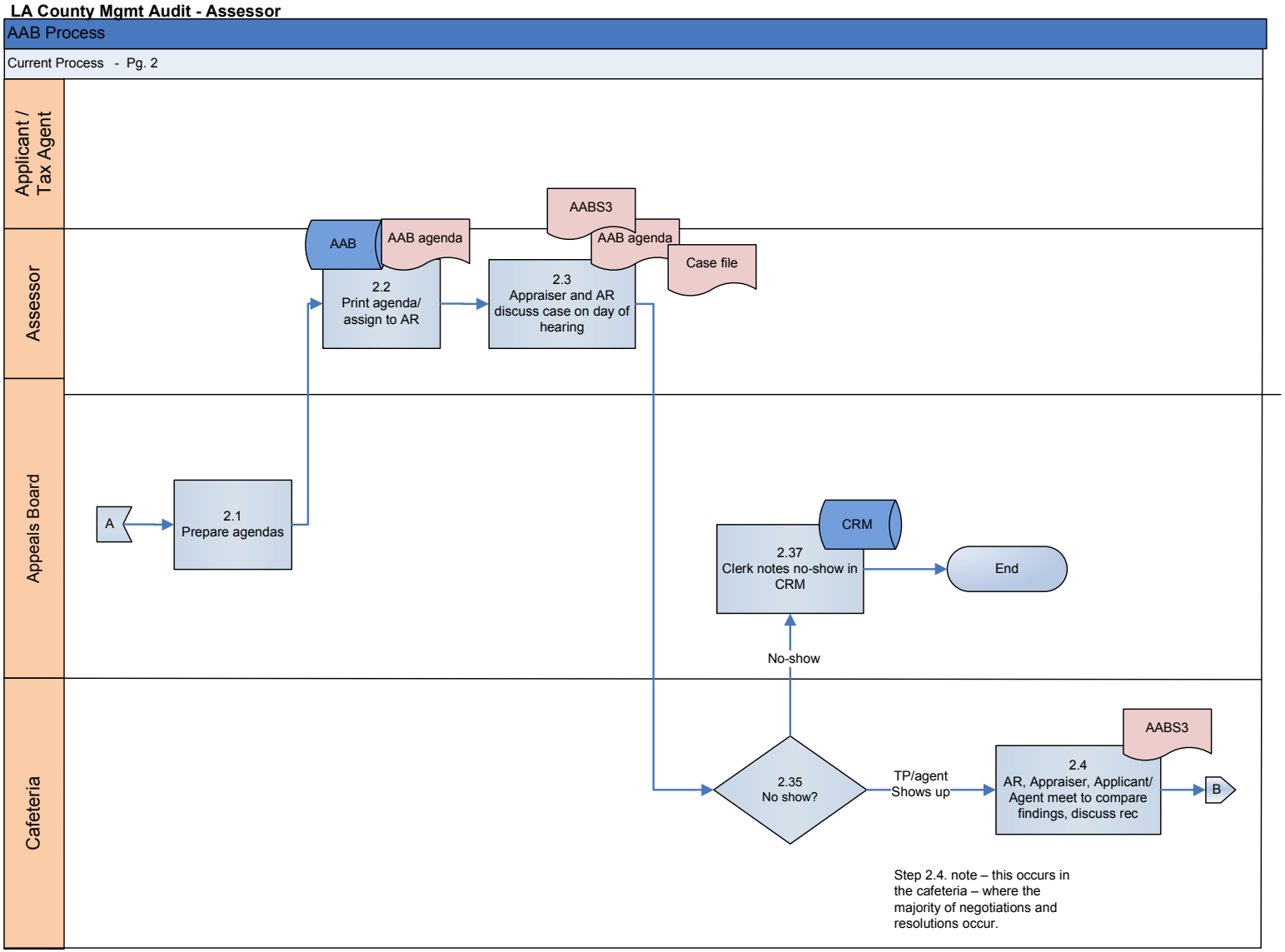
Symbol Legend



Acronym Key

AAB = Assessment Appeals Board
AR = Assessor Representative
CRM = Customer Relationship Manager (System)
PDB = Property Data Base
TP = Tax Payer

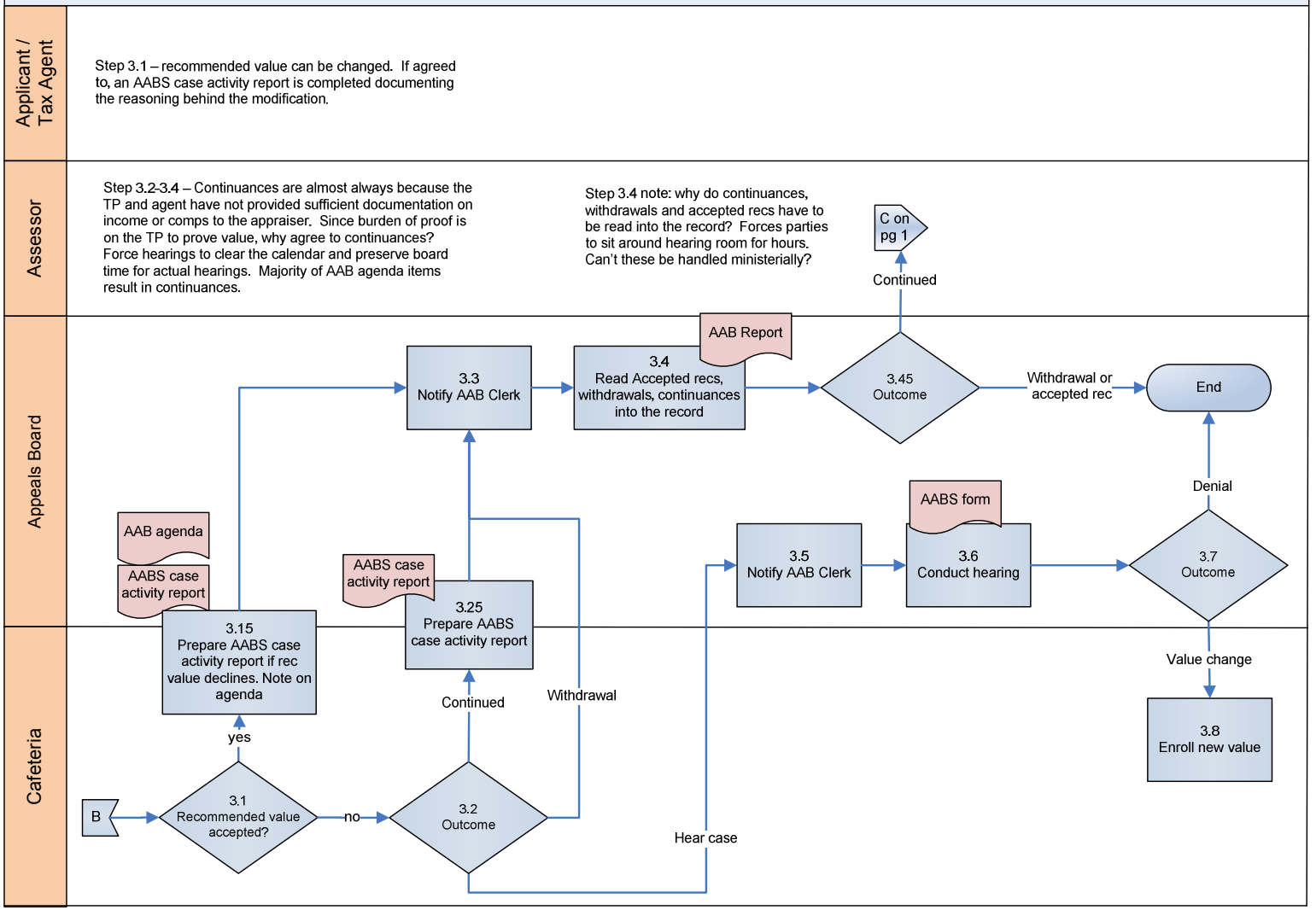

LA County Mgmt Audit - Assessor
AAB Process
Current Process - Pg. 1
Applicant/ Tax Agent
Assessor
Appeals Board
1.1 Applicant or agent completes and submits Application for Changed Assessment
AAB100 or 101
1.2 Review application for validity
AAB100 or 101
1.3 Download property info from PDB into CRM
PDB
CRM
1.4 Assign hearing date
CRM
1.45 Upload hearing data to AAB Sys
AAB
1.5 Issue copies of application to Assessor & Applicant/agent
AAB100 or 101
C from pg 3
1.6 Prepare for hearing (research comps, request income & expenses from TP); Prepare AABS3
AABS3
1.7 Prepare for hearing (research comps, Document income & expenses)
A


LA County Mgmt Audit - Assessor
AAB Process
Current Process - Pg. 2
Applicant / Tax Agent
Assessor
Appeals Board
Cafeteria
AAB
AAB agenda
AABS3
AAB agenda
Case file
2.2
Print agenda/ assign to AR
2.3
Appraiser and AR discuss case on day of hearing
A
2.1
Prepare agendas
CRM
2.37
Clerk notes no-show in CRM
End
No-show
2.35
No show?
TP/agent
Shows up
AABS3
2.4
AR, Appraiser, Applicant/ Agent meet to compare findings, discuss rec
B
Step 2.4. note – this occurs in the cafeteria – where the majority of negotiations and resolutions occur.

LA County Mgmt Audit - Assessor

AAB Process

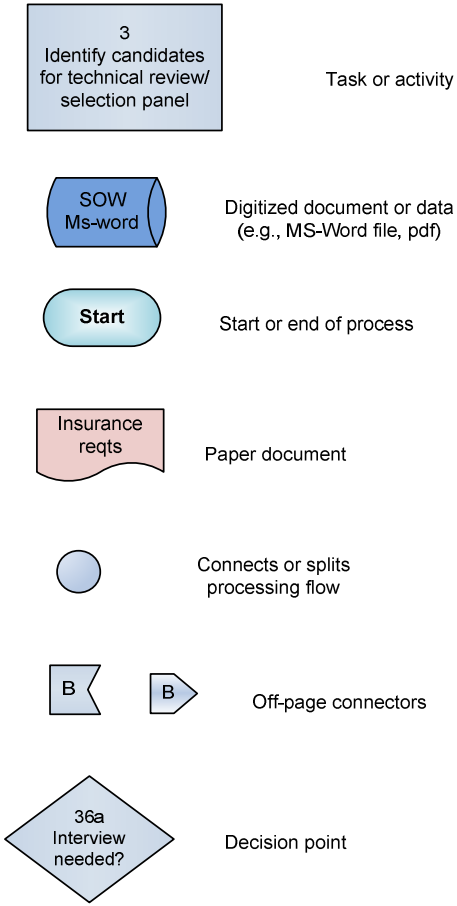
Current Process - Pg. 3



2. AAB Appeals – Proposed Process

Title of Process: Proposed AAB Appeals – v.1
Created: 8/23/12
Last modified:

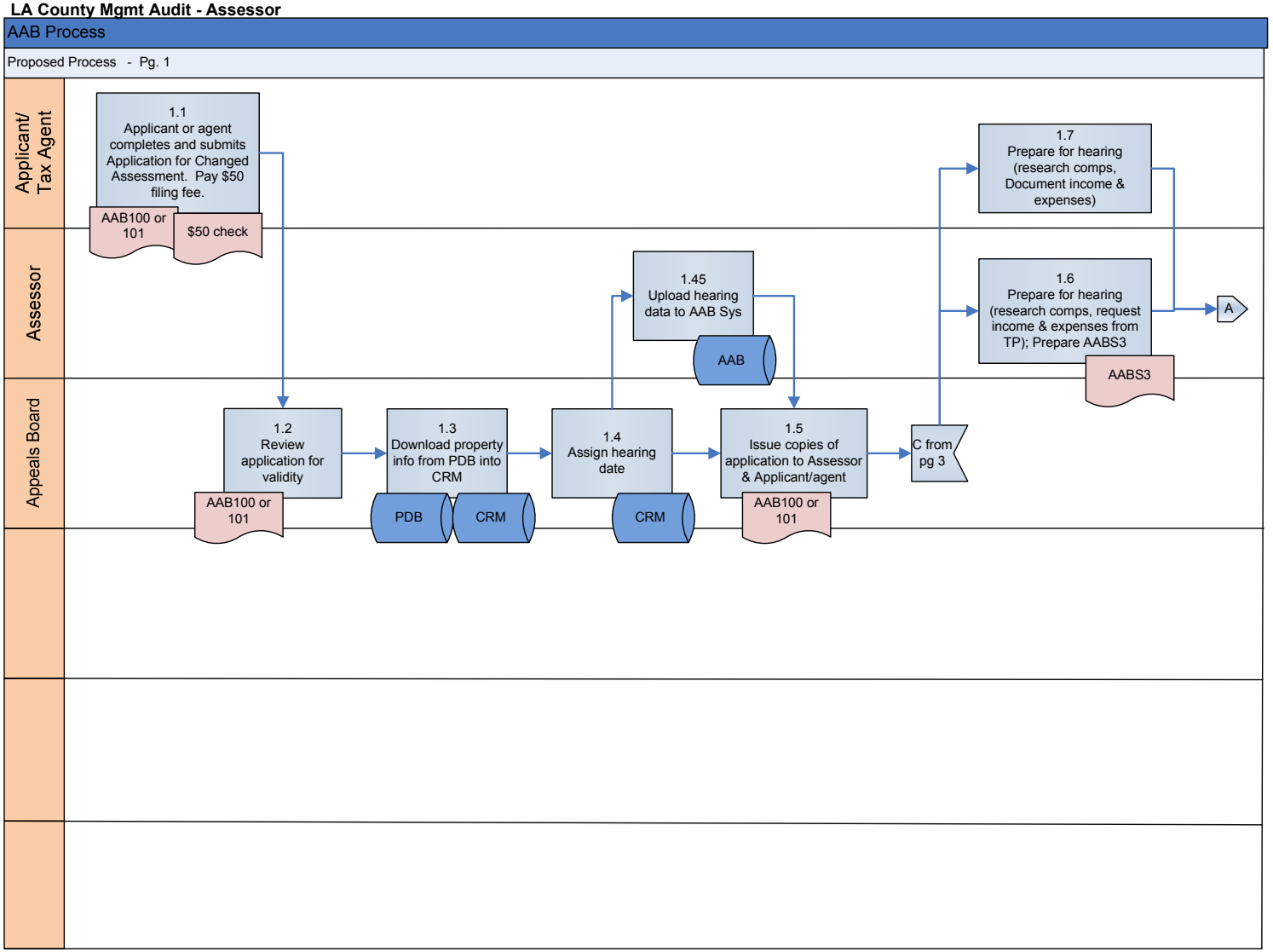
Symbol Legend

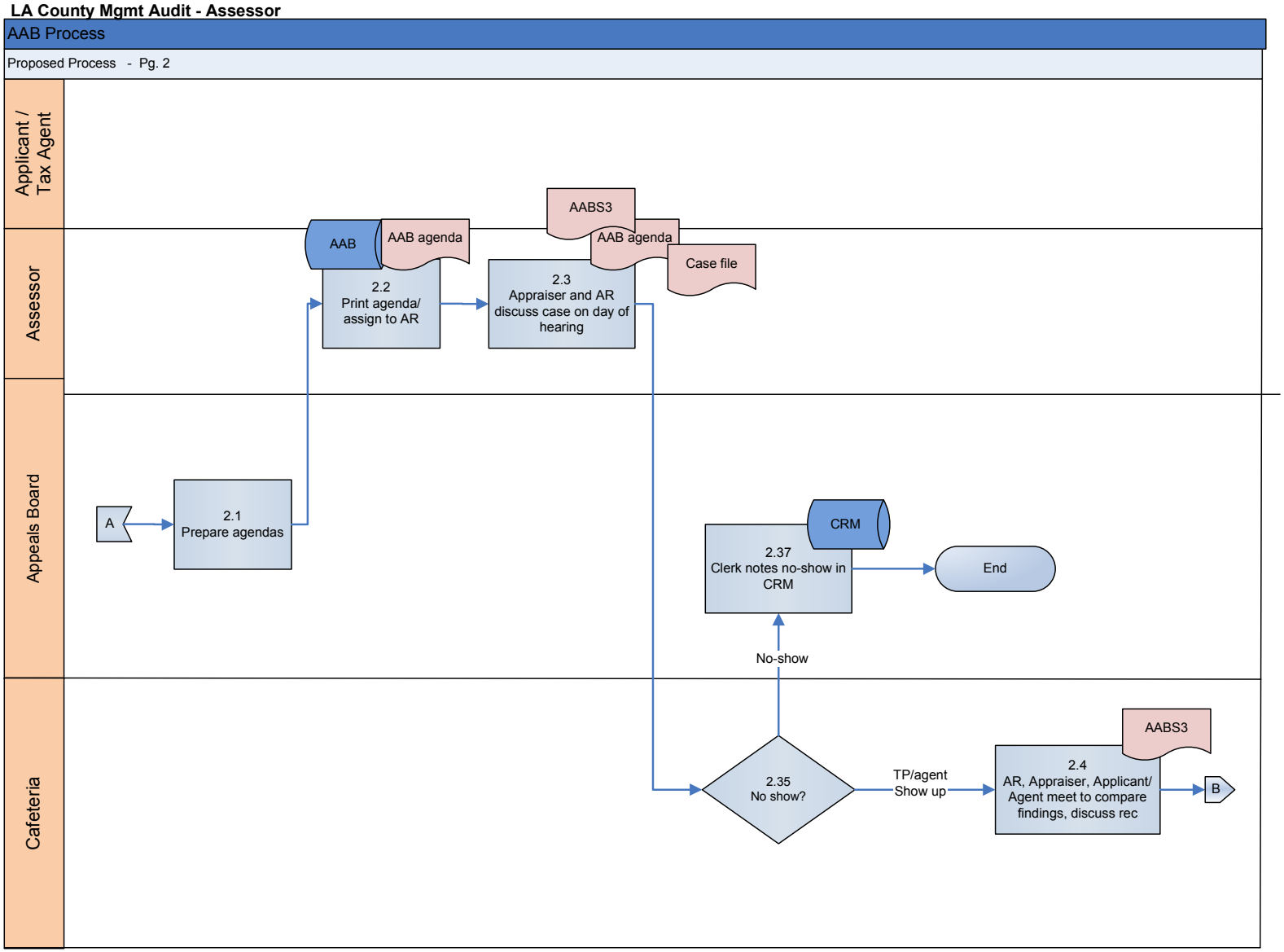


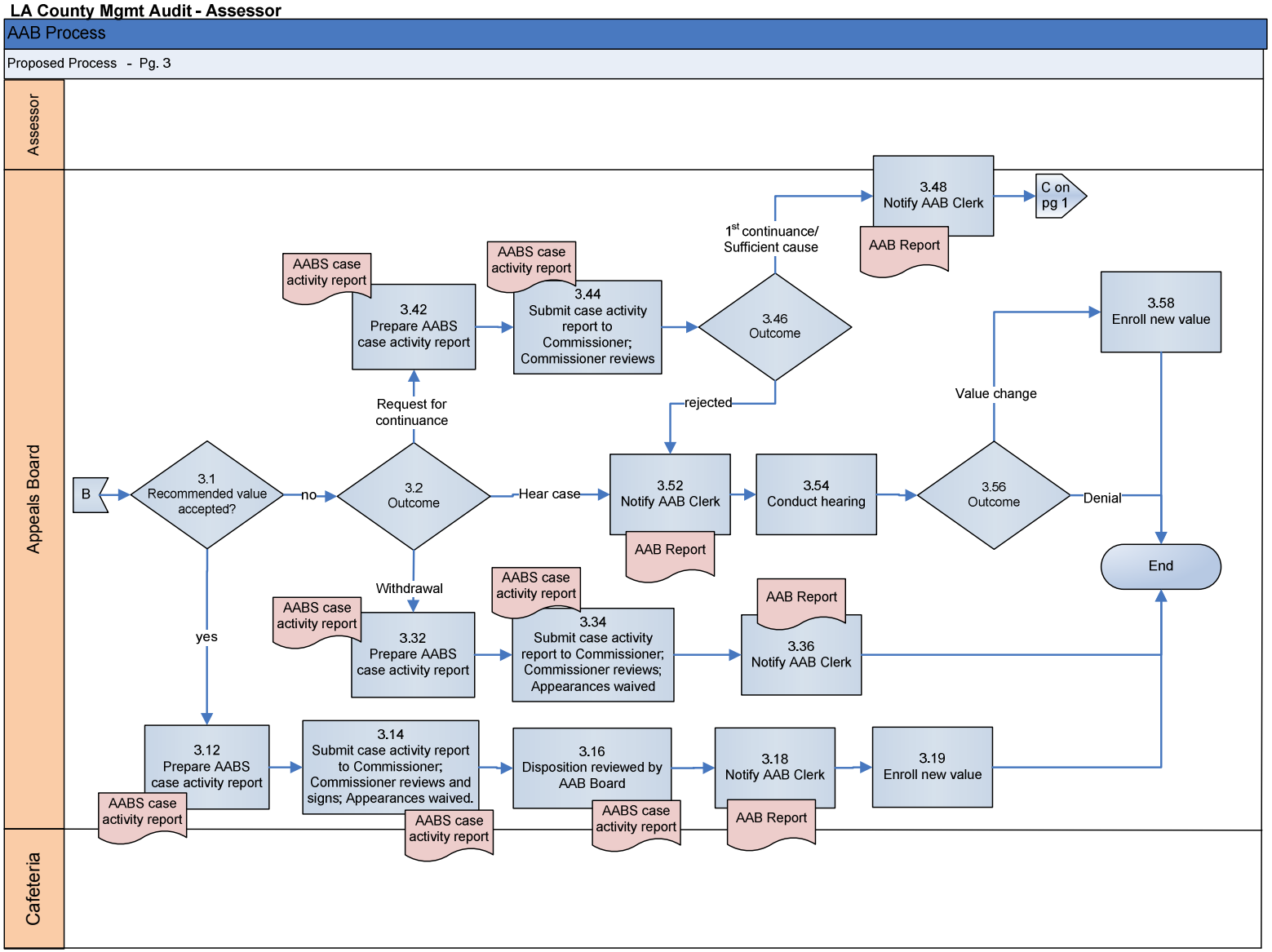
Acronym Key

AAB = Assessment Appeals Board
AR = Assessor Representative
CRM = Customer Relationship Manager (System)
PDB = Property Data Base
TP = Tax Payer

LA County Mgmt Audit - Assessor



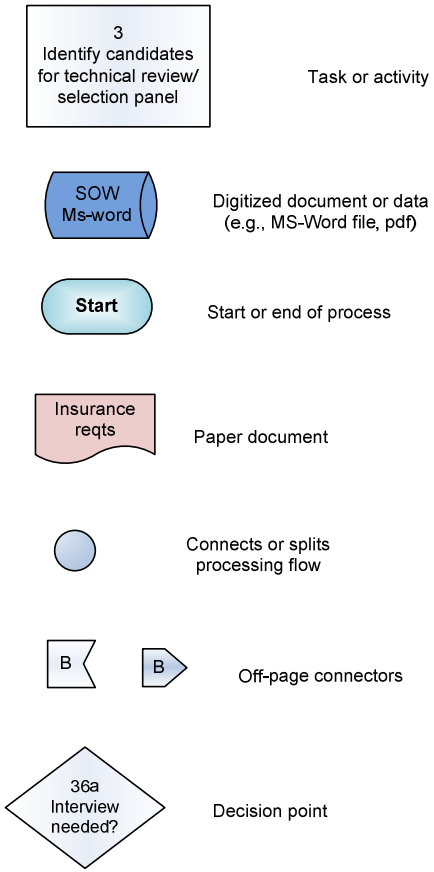

LA County Mgmt Audit - Assessor
AAB Process
Proposed Process - Pg. 2
Applicant / Tax Agent
Assessor
Appeals Board
Cafeteria
AAB
AAB agenda
AABS3
AAB agenda
Case file
2.2
Print agenda/ assign to AR
2.3
Appraiser and AR discuss case on day of hearing
A
2.1
Prepare agendas
CRM
2.37
Clerk notes no-show in CRM
End
No-show
2.35
No show?
TP/agent
Show up
AABS3
2.4
AR, Appraiser, Applicant/ Agent meet to compare findings, discuss rec
B


LA County Mgmt Audit - Assessor
AAB Process
Proposed Process - Pg. 3
Assessor
Appeals Board
Cafeteria
B
3.1 Recommended value accepted?
no
yes
3.2 Outcome
Hear case
Withdrawal
Request for continuance
AABS case activity report
3.42 Prepare AABS case activity report
AABS case activity report
3.44 Submit case activity report to Commissioner; Commissioner reviews
3.46 Outcome
1st continuance/ Sufficient cause
rejected
3.48 Notify AAB Clerk
AAB Report
C on pg 1
3.52 Notify AAB Clerk
AAB Report
3.54 Conduct hearing
3.56 Outcome
Value change
Denial
3.58 Enroll new value
End
AABS case activity report
3.32 Prepare AABS case activity report
AABS case activity report
3.34 Submit case activity report to Commissioner; Commissioner reviews; Appearances waived
AAB Report
3.36 Notify AAB Clerk
3.12 Prepare AABS case activity report
AABS case activity report
3.14 Submit case activity report to Commissioner; Commissioner reviews and signs; Appearances waived.
AABS case activity report
3.16 Disposition reviewed by AAB Board
AABS case activity report
3.18 Notify AAB Clerk
AAB Report
3.19 Enroll new value

3. Residential DIV Process – Current Process

Title of Process: Residential DIV v.1
Created: 8/7/12
Last modified: 9/17/12

Symbol Legend



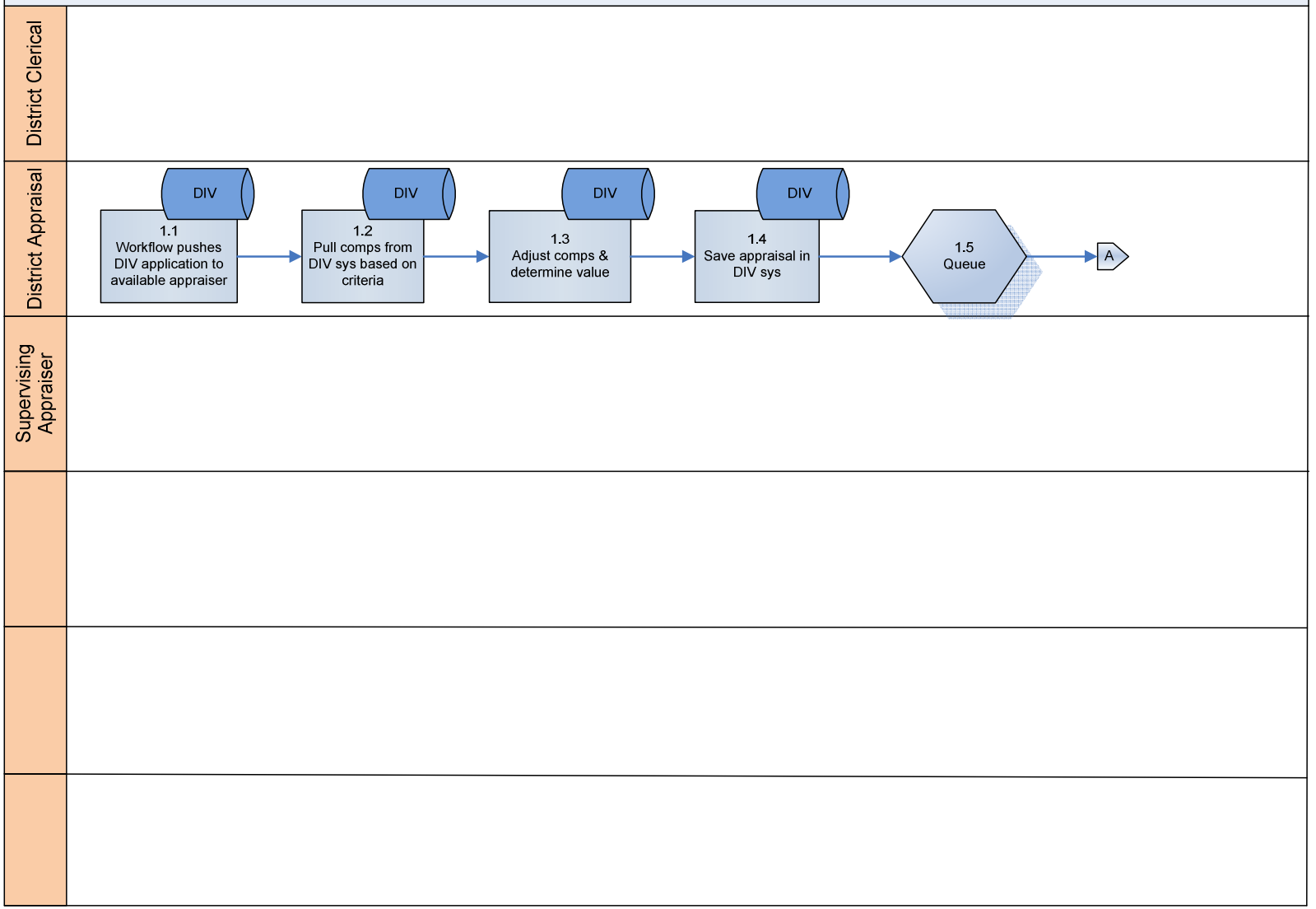
Acronym Key

DIV = Decline in Value
PDB = Property Data Base

Mgmt Audit of the LA County Assessor

Residential DIV

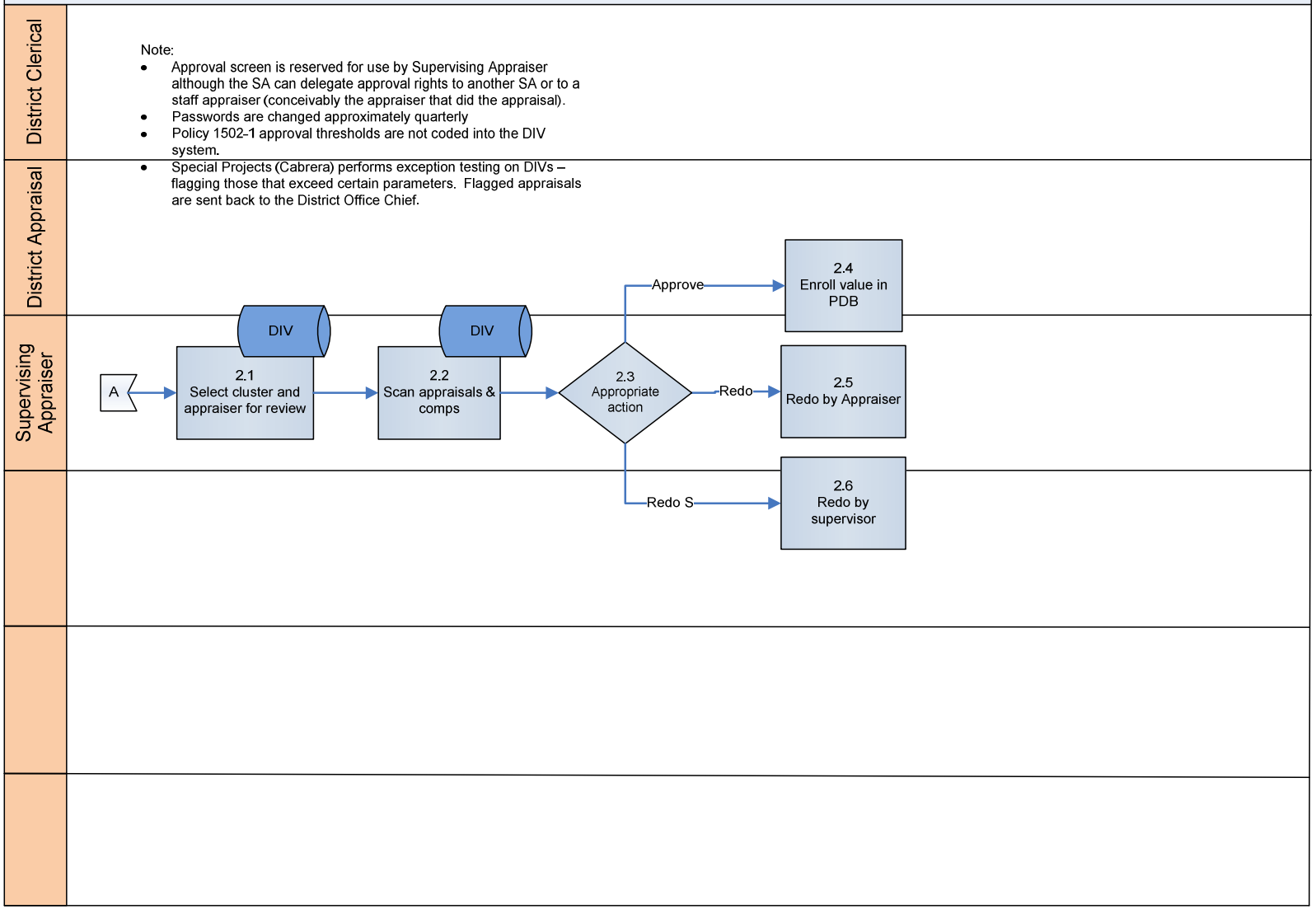
Current Process - Pg. 1



Mgmt Audit of the LA County Assessor

Residential DIV

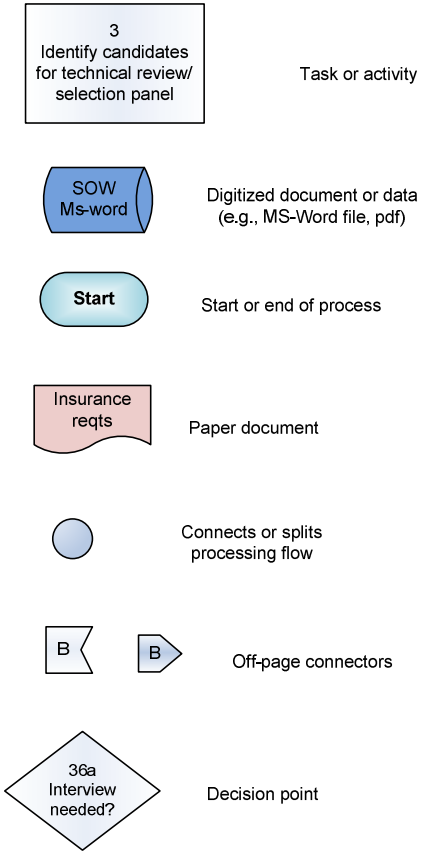
Current Process - Pg. 2



4. Commercial/Industrial DIV Process – Current Process

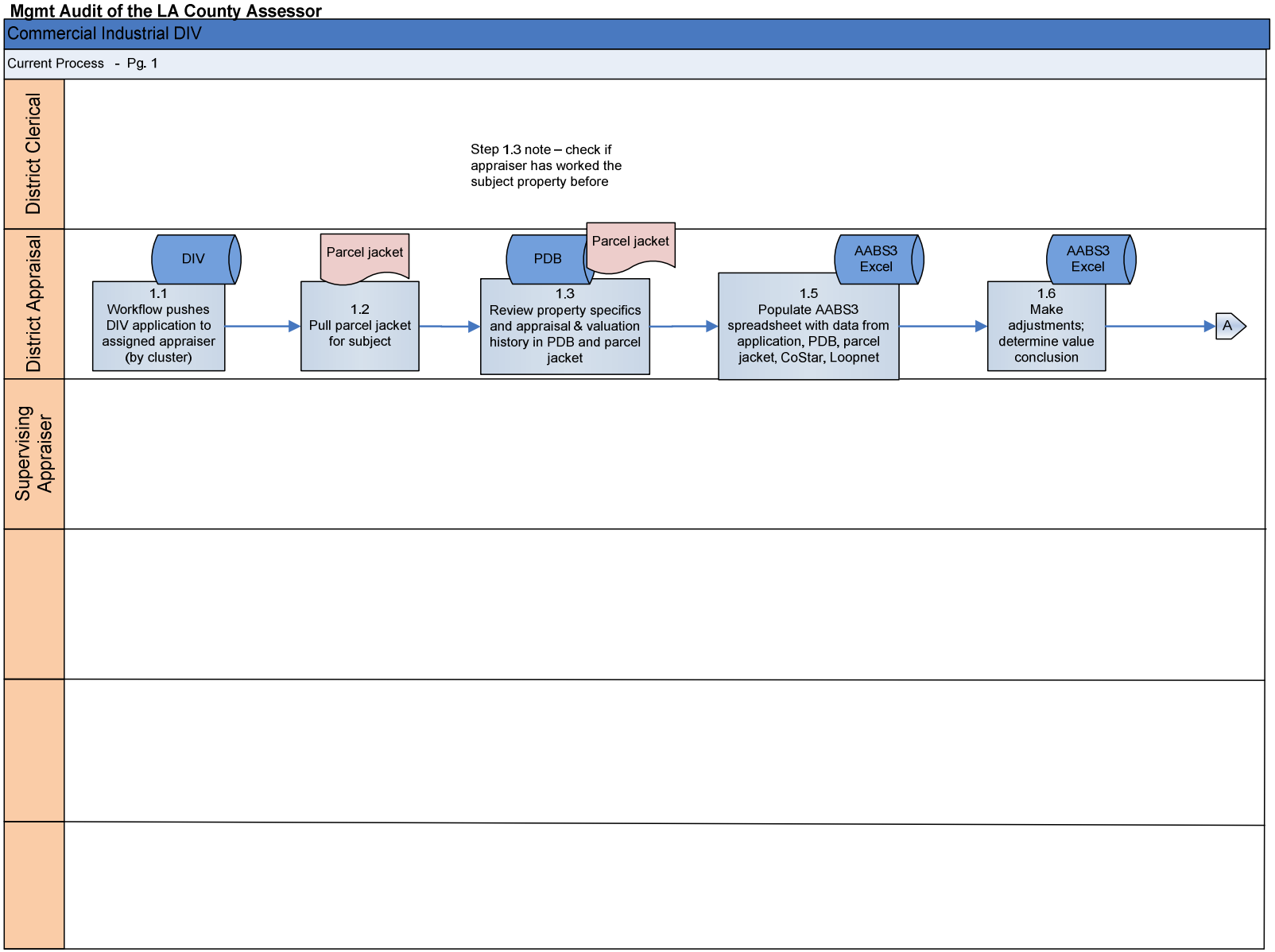
Title of Process: Commercial Industrial DIV v.1
Created: 8/9/12
Last modified: 9/17/12

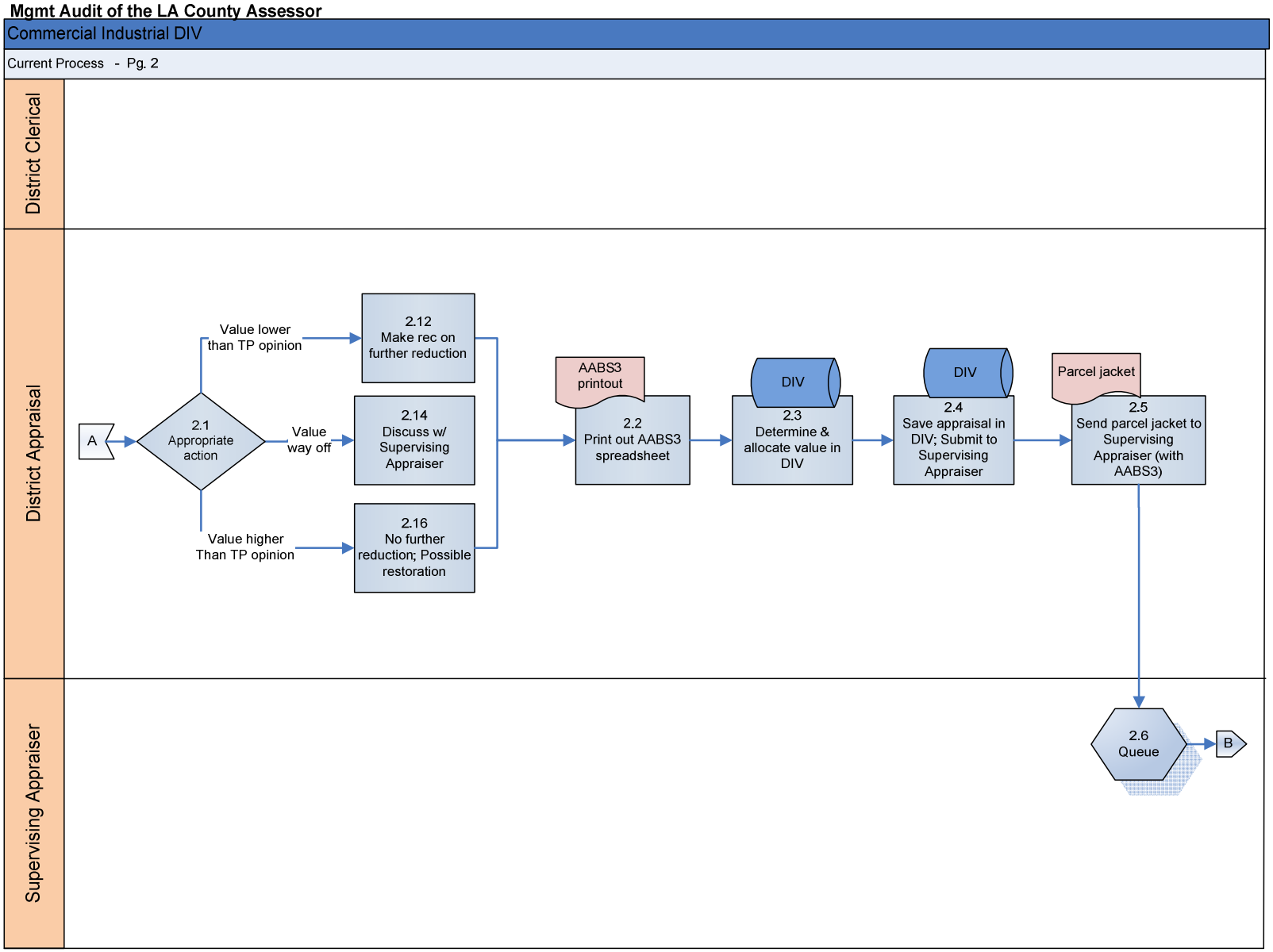
Symbol Legend



Acronym Key

DIV = Decline in Value
PDB = Property Data Base


Mgmt Audit of the LA County Assessor
Commercial Industrial DIV
Current Process - Pg. 1
District Clerical
District Appraisal
Supervising Appraiser
Step 1.3 note – check if appraiser has worked the subject property before
DIV
1.1 Workflow pushes DIV application to assigned appraiser (by cluster)
Parcel jacket
1.2 Pull parcel jacket for subject
PDB
Parcel jacket
1.3 Review property specifics and appraisal & valuation history in PDB and parcel jacket
AABS3 Excel
1.5 Populate AABS3 spreadsheet with data from application, PDB, parcel jacket, CoStar, Loopnet
AABS3 Excel
1.6 Make adjustments; determine value conclusion
A


Mgmt Audit of the LA County Assessor
Commercial Industrial DIV
Current Process - Pg. 2
District Clerical
District Appraisal
Supervising Appraiser
A
2.1 Appropriate action
Value lower than TP opinion
Value way off
Value higher Than TP opinion
2.12 Make rec on further reduction
2.14 Discuss w/ Supervising Appraiser
2.16 No further reduction; Possible restoration
AABS3 printout
2.2 Print out AABS3 spreadsheet
DIV
2.3 Determine & allocate value in DIV
DIV
2.4 Save appraisal in DIV; Submit to Supervising Appraiser
Parcel jacket
2.5 Send parcel jacket to Supervising Appraiser (with AABS3)
2.6 Queue
B

Mgmt Audit of the LA County Assessor

Commercial Industrial DIV

Current Process - Pg. 3

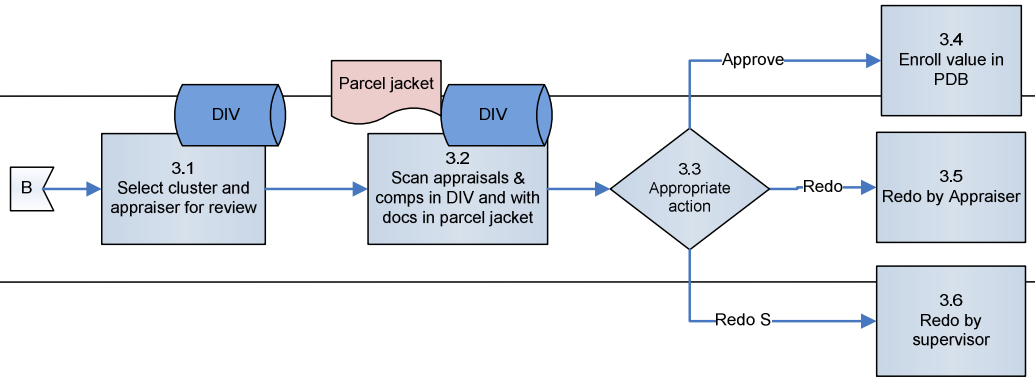
District Clerical

Note:

- Approval screen is reserved for use by Supervising Appraiser although the SA can delegate approval rights to another SA or to a staff appraiser (conceivably the appraiser that did the appraisal).
- 1502-1 approval thresholds are not coded into DIV.
- Passwords are changed approximately quarterly
- Special Projects (Cabrera) performs exception testing on DIVs – flagging those that exceed certain parameters. Flagged appraisals are sent back to the District or MRP Chief.

District Appraisal

Supervising Appraiser



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Attachment II

OFFICE OF THE ASSESSOR
COUNTY OF LOS ANGELES

500 WEST TEMPLE STREET, ROOM 320
LOS ANGELES, CALIFORNIA 90012-2770
(213) 974-3101
assessor.lacounty.gov

SANTOS H. KREIMANN
CHIEF DEPUTY ASSESSOR

December 18, 2012

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Santos H. Kreimann
Chief Deputy Assessor

SUBJECT: **MANAGEMENT AUDIT OF THE LOS ANGELES ASSESSOR**
ASSESSOR RECOMMENDATIONS

Attached is the Assessor's response to the recommendations contained in the Management Audit of the Los Angeles Assessor conducted by Strategica. Please see the attached document which reflects our responses to these recommendations. Also included is the Chief Deputy Assessor's 100-Day Report presented to the CEO, William T Fujioka, on October 4, 2012 documenting the accomplishments of the department since my appointment on June 19, 2012.

If you have any questions or need additional information, please contact George Renkei, Assistant Assessor of Administration at (213) 974-3101.

SHK:SM:ac

Attachments

c: George Renkei, Assistant Assessor, Administration
Sharon Moller, Assistant Assessor, Operations

County of Los Angeles
Office of the Assessor
Response to Recommendations – Management Audit

ORGANIZATIONAL STRUCTURE/PERSONNEL

Recommendations:

A1. The Assessor should keep the Chief Deputy Assessor position filled to provide continuity of management. The requirements for that position should clearly state the need for both substantial assessor experience and expertise, and demonstrated managerial competence. Most likely, this person would come from within the organization and have substantial County experience. However, the individual could also come from other Assessor organizations, as desired by the agency and the County. The County Charter should be amended so that should the Chief Deputy Assessor position become vacant within six months before or after a change in the elected Assessor, the BOS would have the prerogative to appoint an acting Chief Deputy Assessor until a permanent replacement is found.

Department Response: PARTIALLY AGREE

Although we concur with the recommendation to keep the Chief Deputy Assessor position, and agree that the most likely person to fill this position would have demonstrated managerial competence and experience within the department, the appointment of the Chief Deputy Assessor position, regardless of how long it takes to appoint a qualified candidate, should be the sole prerogative of the elected Assessor.

A2. The Assessor should increase the budget, opportunities and expectations for leadership and supervisory/management training for personnel in the agency including external course offerings.

Department Response: AGREE

The budget has been increased to fund additional internal and external training opportunities, for technical, supervisorial and managerial staff. In addition, a curriculum on leadership training is currently under evaluation.

A3. The Assessor should expand the Rotation Process and, on at least an annual basis, conduct a succession planning process that would include:

•Forecasting managerial departures,
•Inventorying projected technical and managerial deficiencies due to departures or based on strategic planning,
•Planning for remedying these deficiencies through hiring or promotions, and
•Training needs for those that may be promoted.

Department Response: AGREE

The department is currently creating a strategic plan that will address existing and prospective organizational needs and objectives. The strategic planning process includes succession planning in order to address the high attrition rate expected over the next two to three years. Training requirements to prepare individuals for more advanced managerial positions will also be evaluated and implemented as needed.

A4. The Assessor should evaluate the promotion requirements for all Assessor items to ensure consistent criteria is used for all promotional examinations.

Department Response: AGREE

We plan to create management teams, including Human Resource specialists and selected staff at varying levels, to evaluate current requirements and criteria to ensure consistency in future promotion decisions.

A5. The Assessor should implement a Peer Review of Chiefs prior to promotion to Director. The Assessor and Chief Deputy should formally obtain input from other Chiefs on who they believe would be the best candidate for a Director position. While the decision would still be based on who the Assessor believes is best qualified to manage a large section of the agency, this practice would at least provide input to the Assessor from the other Chiefs on that individual's skills and abilities.

Department Response: DISAGREE

While obtaining informal input from other Chiefs could be beneficial in the selection process for lower level positions (i.e. Appraisers, Appraiser Specialists, Supervising Appraisers and Principal Appraisers), formal peer review of the candidates for the higher-level Director position(s) is impractical, as many of the Chiefs would be candidates for the Director position. Input regarding the skills and abilities of the prospective candidates should be thoroughly analyzed and discussed amongst the Assessor, Chief Deputy, Assistant Assessors and Directors of the department to determine and select the best qualified individual.

A6. Develop an Assessor's Executive Office under the direction of a Chief of Staff with a focus on public affairs and communications and establishing Assessor initiatives in non-operational areas. A formal strategic plan/focus for the Assessor's Executive Office should be developed as well as job descriptions for the individuals necessary to staff the office. Consideration should be given to reducing the number of Special Assistants in the office and for hiring professional personnel to adequately staff these functions. Special Assistants should be limited in number and only used for specialized needs by future Assessors.

Department Response: PARTIALLY AGREE

The department has implemented an organizational structure intended to ensure a separation between the political and administrative/operational functions of the office, with non-operational areas reporting to the Assistant Assessor of Administration and operational areas reporting to the Assistant Assessor of Operations, with both Assistant Assessors reporting to the Chief Deputy. Since the current structure does not include a Chief of Staff, the Special Assistants also report to the Chief Deputy. As recommended, the Special Assistant positions within the Executive Office are being better defined by function, professional qualifications, and necessity. The addition of a Chief of Staff at the Chief level position responsible for public outreach, communications, formulating strategic initiatives and managing the political responsibilities of the office is in line with our ongoing efforts to separate the political from the business operations of the Office of the Assessor.

A7. The Assessor should implement a new Organization Structure similar to Figure A-8. This new structure features:

- **A Chief Deputy overseeing all agency operations and reporting to the elected Assessor. This will ensure continuity of operations given that future Assessors may or may not have extensive knowledge about Assessor operations. The Chief Deputy should have experience in both assessor functional areas and municipal government.**

- **A small IT strategy unit that would focus entirely on the future IT needs of the agency reporting directly to the Chief Deputy. Currently the primary focus of IT, as discussed elsewhere in this report, is on maintenance and development of existing systems. However, considering the pressing need for major legacy system replacement, a separate IT section focusing on strategic procurement and implementation of future IT development is needed. The Assessor recently formed and IT project management unit and this unit could form the basis for the IT strategy unit but it needs to report at a higher level to reflect the strategic importance of legacy system replacement.**

- **IT should be moved organizationally to report to an Administrative Deputy along with HR, Management Services and Training.**

- **Establish a roll reporting and forecasting function reporting to the Chief Deputy to ensure proper strategic focus of reporting and forecasting and accuracy of agency forecasts.**

- **The Assessor's Executive Office should be under the direction of a Chief of Staff who would act as a gatekeeper for all extraneous communications and requests coming into the office including those from tax agents and campaign donors. See Section B for a further discussion. The Chief should oversee a professional public information and communications office consisting of permanent positions, as discussed earlier.**

Department Response: PARTIALLY AGREE

An organizational structure with the Chief Deputy overseeing all operations has already been implemented.

The IT division reporting directly to the Assistant Assessor of Administration is considered more appropriate given the importance of future and current IT initiatives to the department's success. A project management section is currently established within the IT division and we plan to re-position that unit to report directly to the Assistant Assessor, thus providing the opportunity for increased strategic focus and direction.

The department has already implemented improved budget and roll forecasting tools and resources, with dedicated staff that reports directly to the Assistant Assessor.
The department has already implemented an organizational plan intended to ensure a distinction between the administrative and operational duties and responsibilities of the

office under the management of an Assistant Assessor of Administration and an Assistant Assessor of Operations.

A8. Review short span of control situations and, based on the stated criteria discussed in this section, increase spans of control so that managers have the proper leverage and to reduce management layers.

Department Response: AGREE

Redistribution and rebalancing of responsibilities is under review and will be implemented in areas where it will contribute to more effective and efficient operations.

INTEGRITY

Recommendations:

B1. The County should amend the proposed County Code section 2.165 to prohibit contributions from tax agents and their immediate family members (by blood or marriage).

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

B2. The County should send notices to all agents logged in the AAB's CRM system as taxpayer representatives for the previous twelve months with instructions to register as tax agents under County Code section 2.165 or face enforcement action.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

B3. The AAB should amend its Rules to designate certain parties in the CRM system when an appeal is filed (taxpayer and their representative) and within 10 days (assigned appraiser and an AR). Rules should be amended to stipulate that taxpayer representation should be limited to tax agents registered as lobbyists under 2.165. Rules should be amended to prohibit communication with any other parties except those designated until a case is cleared. County Code Chapter 2.165 should be amended to prohibit ex-parte communication during an active appeal by tax agents with any violation resulting in the loss of registration and a fine. AAB Rules should be amended prohibiting ex-parte communication by a taxpayer with an active appeals case with any violation resulting in the invalidation of their application. AAB Rules should be amended to prohibit ex-parte communication on the part of the Assessor or his/her staff with any violation resulting in disciplinary action (up to and including suspension) of the employee.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

B4. AAB rules should be amended to require taxpayers/agents (and family members) to disclose gifts, campaign contributions or donations to the Assessor or any AAB member when filing an appeal.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

B5. The Assessor Code of Ethics should be amended such that the elected Assessor must recuse himself/herself (e.g., cannot discuss or take part) in any appeal or administrative review if he/she accepted any donations, gifts or campaign contributions from the taxpayer, agent or family members.

Department Response: PARTIALLY AGREE

The Assessor Code of Ethics currently includes the Government Code and Revenue and Taxation Code provisions that govern conflict of interest and improper use of one's official position to influence a governmental decision in which he/she has a financial interest. The Assessor is required to complete the annual Form 700 Statement of Economic Interests which is filed with the Board of Supervisors. In the Form 700, the Assessor is required to disclose specific types of financial interests that might impair his/her objectivity, including gifts and donations. The Assessor Code of Ethics also addresses the circumstances requiring disqualification in actions that could affect his/her outside financial interest.

Further restricting the potential for conflict of interest and undue influence, the department supports the County's adoption of Chapter 2.190 prohibiting contributions from tax agents to the County's Assessor or candidates for Assessor. In addition, the department is currently reviewing its existing gift policy and considering more stringent limitations.

Beyond the currently implemented conflict of interest provisions and reporting requirements, along with the recently enacted contribution restrictions, the stricter recusal recommendation may impair the Assessor's ability to carry out his/her administrative duties and legal obligation to identify and assess all taxable property within the county and apply all legal exemptions.

B6. The Assessor should appoint a Chief of Staff whose job description should include acting as the point of contact for campaign donors, taxpayers or tax agents. Any contact received by the Chief of Staff should be directed to a staff appraiser or their immediate supervisor if a parcel is the subject of an administrative review or to an AAB-designated party if the parcel is subject to an appeal.

Department Response: PARTIALLY AGREE

Establishing a Chief of Staff as a point of contact for campaign donors, taxpayers, or tax agents has merit. However, any contact or referral from the Executive Office should be directed through the Assistant Assessor of Operations and never sent directly to the staff appraiser.

AGENCY SCOPE

Recommendations:

C1. The Assessor's Office should deploy its appraisal resources more cost-effectively. Initially, it should shift resources from the canvass to processing business property statements timely. It should develop a plan for canvassing businesses on a cyclical basis, so that all are visited once every four years. In time, the Office should seek additional ways to coordinate and share real property and personal property duties.

Department Response: PARTIALLY AGREE

The field canvass (site appraisal) and the processing of business property statements are not simultaneous activities. The field canvass is conducted in the fall and is the basis for discovering business assessees. In addition to confirming correct business addresses and information, site appraisals can be completed for assessments below $100,000.

Property statements are required to be filed by business owners by May 7 on personal property assessments of $100,000 or more. Given the time constraints in the peak filing period and roll closure, a significant increase in the number of property statements would be difficult to handle with existing resources and until greater efficiencies are achieved in the automated system developed to assist in statement processing. Currently, all business property statements are processed timely by deploying all resources available.

Implementing a partial canvass is under evaluation. However, there are concerns regarding the impact of inaccuracies on other time-consuming staff functions and public service.

Cross-training of personal property staff has been accomplished in the past and remains a viable option primarily to alleviate real property workload challenges.

C2. The County should make the acquisition of a more effective personal property system to replace the AS/400 a priority.

Department Response: AGREE

The Assessor's Office has taken the following steps in the direction of replacing the existing Personal Property system which currently resides on the AS/400:

- A Request for Information (RFI) was issued.
- Responses from five vendors were received and evaluated.
- Deep-dive demonstrations were provided by each of the respondents.
- Other California counties were consulted.
- Analysis and comparison of the five products was completed.

Currently, the Assessor's Office is evaluating various options and will continue to move forward with the acquisition and/or development of a replacement system.

C3. The Assessor's Office should initiate research on typical personal property holdings of common businesses as a means of validating appraiser judgment. The information gathered during audits could be compiled in square foot guides that consider the type of business, the size of the premises, and qualitative differences.

Department Response: PARTIALLY AGREE

The Assessor's Office is considering the merits of a pilot project to test the benefits of this recommendation. However, not all businesses are audited, therefore limiting the methodology recommended as a comprehensive source of information. Much of this type of information can be gathered during the field canvass process, but would only be as comprehensive as the canvass itself.

C4. The Assessor in concert with other assessors, the BOE, and other stakeholders, should explore a legislative solution to the lack of cost-effectiveness in assessing low-value properties. Holdings of, say, less than $10,000 could be assessed on the basis of a presumptive value (which owners could challenge) or be exempted outright.

Department Response: AGREE

Revenue and Taxation Code Section 155.2 allows the Board of Supervisors to exempt up to $10,000. The Assessor's Office has evaluated the low value ordinance in the past and plans to update our cost-benefit analysis to determine if an increase to the low-value property exemption would be cost effective.

IT MANAGEMENT

Recommendations:

D1. The Assessor should expedite filling the position of enterprise architect as presently envisioned.

Department Response: AGREE

The hiring of an Enterprise Architect is currently in progress. Interviews are scheduled for December 11 and 13, 2012.

D2. The Assessor's office should continue to research IT and appraisal developments in other parts of the state for their potential application as legacy-system replacements in the county, irrespective of supposed constraints imposed by technology or regulation and should consider COTS alternatives to in-house development.

Department Response: AGREE

The continued research of IT and appraisal developments is in progress. The Assessor's Office is currently monitoring modernization projects in several counties throughout the State, through both the California Assessor's Association and independent contact. This includes neighboring Riverside and Orange Counties. Orange, in particular, is the first such county, to have implemented a new system and produce a roll. Out-of-state assessment jurisdictions are also being closely watched, such as Kings County, Washington.

A mobile device pilot project has been initiated in our department to explore the use of mobile technology. The five largest COTS vendors (three of which have projects in CA) have given deep-dive demos of their products over the past year.

D3. The Assessor's office should engage routinely in cost benefit analyses, even for smaller projects, in order to develop proficiency that will be crucial in connection with future larger scale undertakings.

Department Response: AGREE

A project portfolio management prioritization process has been developed and currently being implemented. This process includes business case and return on investment (ROI) analysis for all project request types (small, medium and large).

D4. The Assessor's office should provide a supported IT system for collecting, entering, analyzing, and presenting income, expense, and capitalization data in support of the income approach to valuation, and it should ensure that such resources are pooled for access by all the appraisers who have potential need of such information.

Department Response: AGREE

The department has procured Narrative1, a COTS product that is designed to centralize the collection of comparable sales, income and expense, and other relevant data used for the valuation of income properties. The software is in the customization process to tailor the interface and database to the department's needs. The information will be located centrally with access from any location within the county.

D5. The Assessor's office should provide documentation on how users are expected to interact with its IT systems.

Department Response: AGREE

The Assessor has existing comprehensive manuals that are managed by the System Interface Unit to provide instructions for users to interact with IT systems including PDB and AS/400. In addition, there is a training manual that is used to train users on how to interact with IT systems.

The department currently has plans to update existing manuals so they are more user-friendly and centralized for more visible access.

D6. The Assessor's office should consider integrated products addressing the secured roll as well as the unsecured roll during its market research on alternatives to its systems that support its unsecured roll.

Department Response: AGREE

As part of the initial Request for Information (RFI) published for the Unsecured System Replacement Project, the Assessor's Office asked that potential vendors indicate how their product integrates unsecured with secured property assessments. This was done in order to gage the degree to which COTS products were scalable from unsecured to secured property assessment, and the integration points between them.

As part of the discovery process, the Assessor's Office asked responding vendors to also demo their secured property systems (see item C2).

D7. The Assessor's office should amend its contracts with vendors to incorporate service level agreements.

Department Response: AGREE

Management Services will work with ITD to ensure that all future contracts include a Service Level Agreement.

WORKLOAD MEASUREMENT/STATISTICAL REPORTING

Recommendations:

E1. The Assessor should form a small forecasting unit (reporting to the Chief Deputy Assessor) to develop protocols, definitions and data sources for statistical reporting and workload management purposes. This unit should be comprised of the current staff that perform forecasting and statistical reporting functions.

Department Response: AGREE

The forecast unit has been repositioned and now works closely with the Assessor's executive managers and the County's Chief Executive Office. In addition, an internal forecast committee has been formed that includes the existing forecast team as well as supervisors, managers and subject matter experts that work throughout the department. The committee has been reviewing, revising and refining existing forecast processes and methodologies.

E2. The County CEO should retain a real property value forecast consulting firm to perform periodic reviews and attestations of tax roll forecasts prepared by the Assessor. The consulting firm would report to the CEO but work with the Assessor's forecasting unit.

Department Response: AGREE

We have been working closely with the CEO to prepare a scope of work to obtain the services of an outside economist and procure secondary economic data resources to assist in the development of sound forecasting assumptions.

E3. The Assessor's Office should explore ways to refine its production reporting system to incorporate returns on its investments and its resource allocations. It may be desirable to simplify the system so that it focuses less on the variety of work activities and more on work outcomes generally.

Department Response: AGREE

An Accountability/Performance Metrics action plan team, composed of varying levels of management (first-line to upper level) and facilitated by a consultant from KH Consulting Group, has been assembled with the purpose of designing and implementing "meaningful measures for monitoring operations and measuring success, including exception reporting." See also response from D3.

APPEALS

Recommendations:

F1. The County should amend Chapter 2.44 of the County Code to charge a $35 fee for filing an assessment appeal. This filing fee will help to defray the cost of the program and will help to discourage frivolous filings.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

F2. The AAB should amend Board rules to appoint a hearing officer to handle only continuances, withdrawals, and accepted recommendations rather than have these items presented to a board. Rules should waive appearance of parties once a hearing officer has approved the withdrawal, continuance or accepted recommendation. Withdrawals, continuances, and accepted recommendations should then be subject to Board review in the same fashion as other hearing officer decisions. The new AAB Case Activity Report can be used by the parties as a tool to document withdrawals, continuances and accepted recommendations for review and approval by the hearing officer. Appendix D shows the proposed appeals process.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

F3. The AAB should amend rules such that parties to an appeal must show true hardship for second (or subsequent) continuance requests. Hearing officers presented with continuance requests should deny requests except for hardship. Owner-occupied SFR cases (without tax agent representation) should be exempt from this rule. Appendix D shows the proposed appeals process.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

F4. The Assessor should refrain from sharing case data with applicants before hearings except for formal exchange requests.

Department Response: AGREE

According to BOE Rule 321, which sets forth guidelines for appeals boards, the burden of proof is on the taxpayer to show that the Assessor erred in his/her assessment duties for all cases except administrative hearings that involve owner-occupied, single-family dwellings or appeals of escape assessments for which all required documents have been provided. In order to overcome this presumption that the Assessor has properly performed his or her duties, the law requires that the applicant present independent evidence relevant to the full value of the property or other issue presented by the application.

Although the Assessor's Office encourages contact between the applicant and the appraiser prior to the hearing in order to better determine the issues of the case, we agree that sharing the Assessor's case data with the applicant provides a level of due process in excess of what is afforded by law and should be discouraged.

F5. The Assessor should continue the practice of rotating ARs every three years.

Department Response: AGREE

The department plans on continuing the practice of rotating ARs.

F6. The Assessor should streamline value reduction reporting and approval authority. Policy 1502-1 should be limited to approvals and reporting on administrative reviews. Policy 4080-1 should solely govern determination of recommended values, AR responsibilities, approval thresholds, authority, and reporting requirements. References in Policy 4080-1 to approval authority levels in Policy 1502-1 should be omitted. Approval thresholds in Policy 4080-1 for determining recommended values should be based on percentage-based according to a revised Policy 1502-1 (See Section G). Approval thresholds for subsequent adjustments to those values should be percentage-based similar to the thresholds presented in the August 2 Guidelines for Assessment Appeals. Policy 4080-1 should then replace and supersede the August 2 Guidelines.

Department Response: PARTIALLY AGREE

The Assessor's Office is currently in the process of reviewing Policy 1502-1 and Policy 4080-1 to improve clarity and coordination.

Policy 1502-1, Special Value Change Approval, governs large assessment roll changes originating from exemptions, AABs proceedings, and other assessment changes. It is used for administrative changes and in AAB case preparation in order to ensure appropriate management oversight and approval on large value reduction

recommendations. Our preference is to maintain the dollar-based thresholds for administrative changes in order to ensure that the additional approval requirement is appropriately directed to large value assessment changes rather than potentially lower dollar amounts that may be applicable if a strict percentage threshold is implemented. It is our opinion that this increases the efficiency and maintains the accountability of the process.

In response to the percentage-based versus dollar-based thresholds, please see G1 below.

Policy 4080-1, Assessor's Representatives at Assessment Appeals Board Proceedings, addresses the Assessor's Representatives (ARs) authority and responsibilities at the Board. This policy defines the authority given to the ARs to initiate value reduction recommendations at the Board. This authority is limited to a defined percentage, not to exceed the dollar amounts specified in the 1502-1 policy memo. The dollar-based threshold was intended to provide an upper limit to the authority provided to the ARs during case presentation. We agree that additional clarification may be needed to ensure proper implementation and are in the process of updating both policy memos.

Although the Assessor's Office supports effective means to streamline the AAB process, our preference is to maintain the requirements of the administrative approval process during case preparation and better clarify and define the additional approval authority of the ARs during case presentation.

F7. The County should reengineer the AAB's CRM system to incorporate Assessor's scheduling and data requirements and repair data conversion issues.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

F8. The Assessor's ATS system should be modified so that the assessor's original and adjusted recommended value is recorded for appeals cases.

Department Response: PARTIALLY AGREE

Although useful information, this modification requires a major overhaul of the ATS system since its original design did not take into consideration keeping the history for appeals cases. Due to current data conversion issues, further enhancements to ATS are not considered feasible at this time.

DIV PROCESSES

Recommendations:

G1. The Assessor should amend Policy 1502-1 so that, in addition to dollar-based thresholds, percentages should be used based on the degree that a value reduction exceeds the general market direction. Percentage-based thresholds should take precedence over dollar-based thresholds.

Department Response: PARTIALLY AGREE

Percentage-based thresholds could result in large dollar-based value reductions that exceed current established thresholds (i.e. 20% of 1,000,000 = $200,000, but 20% of $100,000,000 = $20,000,000). The $200,000 currently requires the approval of a supervisor. However, a $20,000,000 reduction requires the approval of a Director. The dollar-based thresholds have provided a limit on the percentage-based reductions and increased accountability and approval requirements for the larger property valuations.

G2. The Assessor should program the DIV system so that the approval thresholds found in Policy 1502-1 are programmed into the system with pass-word based approvals replacing the use of Form RP-335. Value reductions exceeding 1502-1 thresholds should be to the Chief, Director or Assistant Assessor designated in the policy.

Department Response: AGREE

The Assessor's ITD Application Section Team in collaboration with the Special Projects Team will define and introduce business rules to the current DIV approval process. These new business rules for DIV approval process would involve positional approval based on the property type (District vs. Major) and property value within the prescribed framework of Policy 1502-1.

G3. The Assessor should modify the DIV system so that approval authority delegation for appraisals not selected for enhanced review under Policy 1502-1 is limited to a Supervising Appraiser or a Principal Appraiser.

Department Response: AGREE

The Assessor's ITD Application Section will modify the DIV System to limit approval authority delegation.

The Assessor's ITD Application Section and Special Projects team will meet with the management of District and Major Appraisals to get management's input and possible impact once the proposed changes have been implemented. A DIV mechanism will be developed to notify co-Supervisors or Principal Appraisers of impending appraisals once delegation has been executed.

VALUATION METHODS

Recommendations:

H1. The Assessor should integrate the valuation resources of the county's GIS into the Assessor's valuation activities, including the possibility of two-way automated data transfer, with additional consideration being given to developing statistically defensible surfaces to express locational influences systematically.

Department Response: PARTIALLY AGREE

We need clarification on what "statistically defensible surfaces" means. In some applications, the Assessor already allows for the bidirectional selection of comparable sales for SFR/Condo property types. We are unsure of what is meant by "two-way automated data transfer"; currently datasets and GIS layers are consumed as services and are informational in nature. There is not a data exchange per se but a data consumption and display. The department, in ongoing efforts, can incorporate data from GIS resources to augment the available information used by appraisers in making valuation decisions.

The Assessor is currently researching additional valuation and validation tools and resources, including:

- Explore IAAO sales ratio analysis methodologies and the application of these methods to current department systems for validation/Quality Assurance opportunities.
- Explore the technical requirements to perform
  a) a mass emulation of all SFR/Condo properties and
  b) explore the requirements to extend CAMA valuations to commercial/industrial, residential-income, vacant and special use types.
- Enhance existing or procure new regression programs to leverage CAMA technologies and theories.

H2. The Assessor should use modern CAMA methods to produce and preserve at least first-draft if not final estimates of the market values of essentially all real property parcels each year in the jurisdiction despite the fact that the vast majority of such parcels will be taxed not on their market values but rather on the constrained values required by law. The marginal cost of doing this for all parcels rather than just the ones needing to be reassessed should be trivial and should be outweighed by the benefit of increased opportunities for quality assurance.

Department Response: AGREE

The department will continue researching commercially available Computer Assisted Mass Appraisal (CAMA) alternatives to determine the best solution. We will also continue to evaluate the feasibility of expanding our data collection and the pool of properties that are evaluated each year.

H3. The Assessor should consider using personal property canvassing personnel to encourage taxpayers to submit responses to forms requesting I&E data during their routine canvassing activities in connection with personal property renditions if such canvassing practices are to be continued.

Department Response: PARTIALLY AGREE

Most business owners do not own the real property that they occupy, and most canvassing staff do not interact with either the company owner or manager. However, we will explore the possibility of adding real property data collection to our field canvass.

H4. The AAB should ensure that the evidentiary rules governing appearances before the Board prohibit appellants from introducing evidence on income, expense, or

capitalization rates unless the property's own returns were timely filed with the Assessor as a means of encouraging the filing of such "required" returns for which no noncompliance penalty currently exists.

Department Response:

This recommendation was referred to the Executive Office of the Board of Supervisors.

H5. The Assessor should initiate a program to systematically identify and remedy weaknesses in the appraisal and quality control systems arising from the degradation of mass appraisal practices following the implementation of Proposition 13. This would include an audit of cluster designations, the re-introduction of assessment ratio studies where feasible, (comparing recent sale prices to the office's estimate of the property's market value, not its constrained assessment), and an increased QA/QC role for the assessment standards unit.

Department Response: AGREE

The department has begun a county-wide project to clean data and realign economic "clusters" into contemporary areas. The South District completed this effort. The North, East, and West districts are in various stages of accomplishing this task.

Assessment Ratio studies may be performed on transfers where appraised values can be compared with indicated sale prices. This will allow the department to perform value benchmarking based on market data.

The department has established a Quality Assurance unit that will have a significant role in QA/QC reviews.

H6. The Assessor should consider integrated CAMA products during its market research into COTS alternatives to its problematic software for the unsecured roll, as noted in recommendation D6.

Department Response: AGREE

As part of the initial Request for Information (RFI) published for the Unsecured System Replacement Project, the Assessor's Office asked that potential vendors indicate the degree to which their COTS products integrated CAMA, including the methodologies utilized in their Automated Valuation Models (AVM).

As part of the discovery process, the Assessor's Office asked responding vendors to demo their integrated CAMA products.

See also item D6.

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SANTOS H. KREIMANN
CHIEF DEPUTY ASSESSOR

October 4, 2012

Mr. William T Fujioka
Chief Executive Officer
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Mr. Fujioka:

REPORT ON ASSESSOR OPERATIONS

I INTRODUCTION

On June 19, 2012, the Board of Supervisors nominated me for appointment as Chief Deputy Assessor. On that same day, Assessor John Noguez accepted the Board's nomination and formally appointed me as Chief Deputy Assessor, to take effect immediately. Under the terms of my appointment by the Assessor, I was given complete autonomy and authority over all aspects of the department, including deciding on all personnel and operational matters. These terms would continue during the course of Assessor Noguez' leave of absence.

Upon assuming management responsibilities, it was clear that the stabilization of the department from both an operational and personnel perspective was the highest priority. Morale was low and employees were uncertain about the health and stability of the department. Given the uncertain nature of the interim management of the department, a number of short-term, high-priority objectives were identified.

The following is a description of the actions taken by the Assessor's Executive Management Team to initially stabilize and provide guidance on the future direction of the Office.

II STABILIZATION

In identifying those critical tasks requiring immediate attention, priority was given to those areas that contributed to the recent controversy, including implementing operational safeguards to prevent manipulation of the valuation enrollment system. More specifically, a change in handling public records

act (PRA) requests, reassigning personnel, modifying existing policies and procedures and implementing operational changes aided in refocusing and stabilizing the department. Additional checks and balances were also established including more rigorous reporting and documentation requirements. Higher levels of management review and approvals on valuation adjustments were instituted as well.

More specifically, the following immediate actions were taken in the interest of stabilizing the office:

Personnel Changes

- A number of senior managers were placed on administrative leave until a thorough internal investigation is completed.
- New Assessor Representatives (ARs) have been assigned to represent the department before the Assessment Appeals Board to eliminate any public perception of inequitable practices or treatment.
- The authority of the new AR's to make and initiate value recommendations has been more closely regulated and subjected to new policy limitations that require graduated management approval based on percentage valuation reductions rather than hard dollar thresholds (*Exhibit 1 – Guidelines for Assessment Appeals)*.

Internal Policies

Three internal policies required immediate attention and various modifications have now been completed:

- *Policy & Operating Practice Manual, Policy #4080-01-5: Assessor's Representatives and Testifying Appraisers at Assessment Appeals Board Proceedings (Exhibit 2 – 4080 Policy).*
  The 4080 policy change provides clarification for both ARs and appraisers during interactions at the Assessment Appeals Board. The ARs and appraisal staff are required to have proper management signature authorizations for all value recommendations.

- *Policy and Operating Practice Manual #1500-04-01: Change in Ownership Reappraisal – District Guidelines (Exhibit 3 – District Guidelines).*
  This is a new policy that provides guidelines for managing the Paperless Transfer System workflow in the district offices for unvalued transfers. It establishes procedures to ensure that transfers are assessed in a timely manner and with appropriate oversight and accountability. More specifically, the policy now imposes a 120-day deadline to enroll a property transfer. Any exception will require higher level management approvals to extend the deadline.

- *Policy and Operating Practice Manual # 5210-03-2: Accepting Sale Price in Transfer Reappraisal (Exhibit 4 - SBE Rule 2).*
  This policy has been amended to clarify our process which will now require documentation if there is substantial and convincing evidence that a property's reported sales price is not an indication of market value.

Quality Assurance

- The revelations of misconduct by former appraiser Scott Schenter compelled the department to focus on internal controls and oversight. The Quality Assurance (QA) Unit was created to review existing policies and identify best practices to prevent future unilateral modification of property values.
- The department is reviewing all past cases managed by Mr. Schenter to identify any problematic values. Any questionable cases are immediately reported to the District Attorney's Office.
- A forensic internal audit of existing internal controls is also being conducted, giving specific attention to those manual processes that Mr. Schenter exploited to improperly adjust property values.
- New internal controls specifically responding to Mr. Schenter's actions have been implemented, including new and improved forms, confirmation by clerical staff that proper signature requirements are satisfied, and the preparation of management and value exception reports that highlight large property valuation changes are to be reviewed by audit staff.
- Compliance audits on new business practices are also being conducted to ensure the updated forms are used, the proper business procedures are followed and appropriate sign-offs for enrolling new values are obtained.
- Supplemental funding for five new positions for the QA Unit has been requested in the supplemental budget. This will ensure sufficient staffing and resources are dedicated to enhance the integrity of the tax system.

Public Records Act Requests

A more efficient and appropriate process was established for managing the voluminous Public Records Act (PRA) requests made by the media, District Attorney, and members of the public by routing them to County Counsel. This process change enabled for better tracking, review and responsiveness to PRA requests thus allowing the Office to focus on its core mission of preparing and closing the tax roll.

III STRATEGIC PLANNING

The prior department organizational and management structure tended toward a "silo" model, where each core function operated autonomously and with little interdepartmental planning and coordination. Moreover, the department lacked a strategic plan and shared goals.

To assess the immediate and long-term needs of the department, a series of meetings were organized with all department employees, both in the Hall of Administration and in the district offices. Lines of communications were opened and input was solicited from employees, providing them with many avenues to express their concerns and aspirations for the department. Several strategic-planning sessions were held with a cross-section of executives, division managers, and employees beginning in August.

After further consulting with senior staff and many employees, our new motto, vision, mission, and values, outlined next, were established. The role of the Office of the Assessor as a part of the "County family" has also been further emphasized. The following is a further discussion about them.

Our Motto
Valuing People and Property

Our Vision
To be the premier property assessment agency in the nation.

Our Mission
We value people and property by creating an accurate and timely assessment roll while delivering exceptional and professional public service with integrity.

Our Values
We *aspire* to be the best – the premier property assessment agency in the nation.

Accountability
Service excellence
Professionalism
Integrity
Respect
Equity

Our Strategic Plan defines what we will do. The successful implementation of our Strategic Plan will require every employee to understand and focus on achieving our organization's motto, vision, mission, and values.

Our Motto. To build employee morale and pride in the department, we are developing a "branding" strategy, featuring the new motto of ***"Valuing People and Property."*** Among the changes associated with this effort, a department-themed desktop background for all computers will highlight the new motto and logo, as well as departmental or County photos or images.

Our Vision. Our vision states what we aspire to become – ***the premier assessment agency in the nation.*** We have achieved that stature in the past and know we can do so again.

Our Mission. Our mission builds on our motto to value people and property. The mission statement also defines what we do – ***creating an accurate and timely assessment roll*** – and reinforces the importance of exceptional and professional public service with the all-important value of integrity.

Our Values. Our values define how we will act in achieving our vision and mission. We will act consistent with our values and uphold the highest ethical standards. We support all of the County values and emphasize the importance of specific County values: Accountability, Professional, Integrity, and Respect. Given the nature of the Office of the Assessor, we have added Service and Equity. Our ***A.S.P.I.R.E.*** values link to our vision to aspire and ***become the premier property assessment agency in the nation.***

The strategic-planning process has also emphasized the demand for the unquestioned integrity of our personnel and the manner in which we do our jobs. Management and staff will recommend and implement strategies that can be taken to avoid the appearance of misconduct, mitigate potential fraudulent acts and behavior in the future, and ingrain our newly adopted values into our work culture.

IV INITIAL STRATEGIC PRIORITIES

Strategic Priority 1. Building a New Forecasting Model

An improved estimation model and process for the annual assessment roll forecast is being developed in cooperation with your office and technical staff from the Internal Services Department (ISD). The forecast assumptions will now be the primary responsibility of the Assessor's Executive Management Team rather than simply relying on our technical support staff and appraisers.

Each component of the assessment forecast methodology is being broken down into its constituent parts, analyzed for consistency and accuracy, and then reassembled and integrated back into the forecast. Executive summaries of these forecast components and the underlying assumptions will be prepared, allowing the Executive Management Team to reach a consensus in guiding the development of the forecast.

The department is now in the process of procuring additional outside resources to be included in the forecast analysis, including subject matter experts in real estate market and macro-economic analysis.

With the help of your staff, we have secured funding to acquire the necessary Cognos reporting software that will facilitate a detailed sensitivity analysis of the factors contributing to change in the assessment roll.

While we're hopeful that the new model will largely be in place in time to prepare the 2013 roll forecast, we are anticipating at a minimum preparing the roll forecast using a hybrid approach that includes the existing forecast methodology along with components of the newly developed model.

We will present the preliminary forecast no later than early February 2013 and as a range of values, as opposed to a fixed percentage estimate, to allow CEO budget staff to select the most appropriate percentage change for budgetary purposes.

Strategic Priority 2. Management Audits

The department has moved expeditiously to address the issues raised in previous audits, including the IT Audit released in April 2012. The recommendations of the April IT Audit have all been implemented. All surplus equipment has been distributed and in the future, the department will only purchase equipment on an as-needed basis.

Department staff has fully cooperated with the Auditor-Controller in the comprehensive management audit. Assessor personnel have participated in extensive interviews and provided necessary briefings and materials to ensure accuracy and completeness of the information being audited.

The findings of the Auditor-Controller's comprehensive management audit are anticipated to be released in November 2012. We welcome the audit and look forward to implementing the proposed recommendations we deem appropriate for the office that will improve and safeguard department operations.

Strategic Priority 3. Information Technology Initiatives

The department has initiated a three to five year strategic plan for information technology. The IT team is researching software systems and identifying existing issues based on manager and staff feedback that will enhance efficiency, accountability, and greater accessibility.

The following are initiatives which have been determined to be essential toward positioning the department to be able to engage in the establishment of an enterprise solution for the replacement of both Secured and Unsecured Systems. These initiatives will address the replacement of existing systems which no longer provide the required functionality and reliability, while assuring that an integrated solution of critical components are incorporated:

- Replacement of the Unsecured System – The Unsecured System has become vulnerable and unreliable. By the end of the current fiscal year a Request for Proposal (RFP) will be prepared to acquire a new product.
- Acquire an Enterprise Architect – Sierra Systems recently completed a study recommending that the department acquire an Enterprise Architect. Working with ISD, an Enterprise Architect will be retained to develop a two to three year "roadmap."
- Enterprise SharePoint Implementation - An integrated system with robust functionality is required for staff to collaborate efficiently and increase productivity. The Assessor's Office intends to develop a modern collaborative system using Microsoft SharePoint Enterprise 2010. The initial phase will target the building of this infrastructure and the conversion of all existing standalone sites to a single interactive solution. Subsequent phases will continue to expand the functionality to become one of the key collaboration tools for the Department.
- Implement Project Portfolio Management (PPM) (DAPTIV software) - To implement metrics for the newly established Program Office and to better manage resources, a Project Portfolio Management (PPM) software program has been launched. This project will be focused on establishing basic functionality for managing all ITD projects and resources to support all future strategic-planning efforts.
- Business Intelligence (BI) Cognos (Forecasting) –The department is working with ISD with the focus on compiling and analyzing transfer processing data. Subsequent phases over the coming years will be developed for the other components that go into forecasting.
- Implement Narrative 1 for Commercial Property – Appraisal units have relied on paper-based reports, spreadsheets and shared folders for use in their appraisals. The Department has acquired a product which can serve as an interim technology-based solution until a permanent solution can be established.

- Mobile Device Evaluation - IT will evaluate selected devices, software and services, and how new technology devices can improve the mobility of staff as a replacement to laptops.
- Personal Property Imaging System (PPIP) - ITD is in the process of correcting problems identified with the 571L PPIP. The PPIP's EMC Document Management System Solution has been established as the standard for future imaging developments. Meetings with vendor EZ Access will be scheduled to address the poor service support they have been providing and to get a commitment for the expected support in the future.

Other IT Accomplishments

- A rewrite of the Property Activity Information System public website was developed and is currently in final acceptance testing.
- Developed a new web application for Assessor staff to submit employee suggestions.
- ITD has prepared responses to numerous employee suggestions recommended through the Employee Suggestion Box.
- A draft proposal for a new prioritization process for all ITD projects was completed. The Project Portfolio Management software that is being developed will incorporate these procedures.

Strategic Priority 4. Technical and Professional Development Training

The department has dedicated substantial new resources for supervisory, leadership, professional development, and other types of training. These additional resources were sought and secured through the CEO and SEIU Local 721. Efforts are being implemented to train executives and senior managers for succession planning purposes.

The department historically has not provided adequate management, supervisorial and other personnel training. Additional broad-based training for planning, management and leadership skills, and career development is needed. Department managers have been directed to identify savings that can be shifted to augment the department's training budget. A leadership training session for the department's senior management was conducted by a leadership training expert who has successfully worked with County departments in the past.

V OTHER POLICY/ORGANIZATIONAL INITIATIVES

Keeping employees informed and engaged in a dialogue about the department has been a high priority. Employees have been encouraged to contact me directly via email, and I answered all of their messages personally. New communications tools have been implemented, and existing communications vehicles have been greatly enhanced.

Weekly All-Staff Messages

For the first time in the department's history, a weekly message to all employees is issued from the department head in which I share our progress on important issues, identify key objectives and goals, and attempt to provide a sense of affirmation and pride in the department and to value the public service that Assessor employees provide the County.

Employee Intranet Suggestion Box

An employee suggestion box was added to the Assessor Intranet site. All suggestions are read and responded to, assigned for analysis, and when meritorious, for implementation. To help restore employee confidence, special emphasis has been placed in implementing their good suggestions in an expeditious manner. Additionally, all suggestions, with their status and disposition, can be viewed on the Intranet by all employees

Employee Newsletter

The employee newsletter, the "Valuator," has been expanded from a report on retirements, promotions, and special events to one that includes diverse news about the department and our shared objectives. It also includes County news in an effort to enhance the department's relationship with the County organization as a whole.

"Leadership by Walking Around"

Senior managers have been directed to have regular meetings with staff at all works sites, both scheduled and unannounced to enhance morale, accessibility, accountability, and productivity by ensuring regular communications and dialogue with personnel.

Organization/Personnel

A number of changes have been made organizationally, including the requirement of Mid-Year Work-plans for senior managers to improve budget estimates and the forecast, and to facilitate the development of goals and planning strategies necessary to better enhance efficiencies.

New organization structure

A new organization structure has been enacted for the leadership of the department. With an emphasis on organizational excellence and efficiency, a second Assistant Assessor was deemed essential to spread the many significant management responsibilities more evenly, with one Assistant Assessor responsible

for administrative matters and the other on operations and valuations (See Exhibit 5 – Organization Chart).

4/40 schedule modification

In order to enhance operational efficiency by creating a more consistent work schedule standard, all executive and senior managers have been required to adjust their work schedule to either a 5/40 or 9/80 schedule, with Friday as the only option for their day off. Those employees wishing to advance into supervisorial roles will be required to work the standardized 5/40 or 9/80 schedule in order to enhance public service and ensure proper supervision of staff.

Training

Appraiser Training Class 71 is scheduled to graduate on October 17, 2012 with 27 new Deputy Assessor appraisers prepared to assume their new assignments. Appraiser Training Class 72 will be hired and will begin their training by the end of October 2012.

Other Policies/Programs

Automated Information Request

In July, the department unveiled the Automated Information Request (AIR), a new program that notifies taxpayers electronically when their appeal is calendared with the Assessment Appeals Board. This automated system will enable Assessor personnel to request documentation in advance of the hearing, providing adequate time to assess the merits of the appealed valuation and avoiding the need to engage in the "cafeteria" negotiations that were previously common practice.

Expanded Multiple Listing Service Access

Upon hearing from our staff in our West District Office that there was insufficient access to the Multiple Listing Service (MLS), a tool vital to the work of appraisers, purchases of 60 additional access licenses was authorized and are now in place. This greater access to the MLS will increase the accuracy of appraisals, and will also reduce the number of assessment appeals cases in the future. As an added bonus, it has also been a boost to employee morale.

Annual Assessment Roll Release

The Office of the Assessor successfully completed its primary function: the compilation of the Annual Assessment Roll. We are pleased to report that the 2012 Assessment Roll reflected a 2.24 percent increase in value that represents the second straight year of growth. This year's assessment roll is

$1,130,560,769,770 gross total, $24.8 billion greater than last year. The Annual Report that explains the role of the department was made available to the public on the Internet during the first week of September.

VI NEXT STEPS

We will now turn our attention to a number of other structural reforms necessary for the long-term organizational health of the department.

Next Phase of Strategic Planning – Development of Action Plans

The next phase of the strategic-planning effort will build on the work in this 100-Day Report and the new Strategic Plan's vision, mission, and values. We will form Action Planning Teams (APTs), representing a cross-section of the office, to prepare Action Plans for addressing the next series of changes. The Action Plans will involve identification of the action steps needed during the next two years. Different members of the Executive Management Team have championed each of the Action Plans. These series of changes are defined as Strategic Priorities/Goals and entail:

- **Action Plan 1 – Fiscal:** Document the action steps, already identified, to be implemented to enhance our capabilities in forecasting property values for the Board of Supervisors

- **Action Plan 2 – Policy and Process Improvements:** Building on our first 100-day efforts to improve policies and procedures, develop an Action Plan for continuous process improvement while addressing specific policies already identified for change. (Refer to the specific policy and process improvements identified to be addressed next on page 11.)

- **Action Plan 3 – Technology:** Develop an Action Plan that establishes: a) a framework for identifying and setting IT priorities, b) action steps for short-term initiatives ("low-hanging fruit") and c) action steps needed to finalize a three- to five-year Information Technology (IT) Plan.

- **Action Plan 4 – Accountability/Performance Measurements:** Design and implement meaningful measures for monitoring operations and measuring success, including exception reporting. The Department will place a greater emphasis on linking strategy to a performance monitoring system and identifying initial performance measurements to track efforts being made at the executive or sub-department levels.

- **Action Plan 5 – Integrity/Avoidance of Fraud:** Identify actions that can be taken to avoid and mitigate potential fraudulent acts and behavior in the future; develop a Code of Conduct.

- **Action Plan 6 – Succession Planning:** Working with the Executive Team, design an ongoing succession-planning process to ensure seamless transition of responsibilities following retirements, promotions, or other staffing changes.

- **Action Plan 7 – Cultural Change:** Develop strategies and tactics for rebuilding the work culture to reflect our newly developed values, improve morale, enhance accountability and service delivery, and improve communication and collaboration.

The development of the Action Plans will be completed in the next 100 days. In addition to the Action Plans, the following initiatives will also take place.

Information Technology

The Department will also embark on some short-term initiatives, including:

- IT will develop a digital "dashboard" for managers that will provide decision-making information to help maintain established performance metrics.
- An "electronic signature" system will be developed to create a paperless system that will enhance operational efficiency. Moreover, the ability to track and verify documentation approval will prevent future unilateral modification of property values.

Human Resources (HR)

HR will focus on the appraisals of promotability (APs) process that is employed when evaluating personnel for promotion to ensure greater objectivity, transparency and fairness.

Training

With the additional resources provided by the CEO to augment the department's training budget, we will coordinate an aggressive program to provide necessary training to Department personnel.

Training will be implemented department-wide, including continuation education for appraisers, supervisorial orientation training for first- and second-line clerical supervisors, and general supervisorial/management training for all classifications.

The department is implementing a new training program for entry-level document examiners (document coding). The one-year program will be modeled on the highly-successful appraiser training program. The Ownership Services Division has not hired new personnel since 2009, which has severely

compromised their ability to manage and process the large number of documents transmitted from the Registrar-Recorder.

Process improvements - Internal Controls

Additional internal policies and practices will be reassessed and amended to ensure greater accountability and internal controls to avoid any appearance of, or actual impropriety. This objective will build on the process improvements addressed in the first 100 days and incorporated into the Phase 2 Action Plans:

- New guidelines for Assessment Appeals, articulated in *Special Value Change Approval*, Policy No. 1502-1-8 (Policy and Operating Practice Manual), have been established for large assessment roll decreases, mandating high level review and approval.
- As previously referenced, the Department's Real Property Handbook, Policy 5209, relative to Assessment Appeals Procedures and Case Preparation is being updated to reflect modifications to Policy 4080.
- The traditional relationships and interaction between tax agents, appraisers and other Department personnel will be assessed to ensure that both in terms of policy and appearance, such interaction is professional, objective, and beyond reproach. We will develop a Code of Conduct for tax agents, as well as other new guidelines and mandates pertaining to tax agents.
- As a result of attrition, new personal property appraisers will need to be hired with an emphasis on those who can specialize in audits.
- A careful review of practices related to promotions and job assignments has been initiated, and the annual personnel rotation, which is necessary to cross train personnel in the various sections of the department, will be implemented.

New Gift Policy

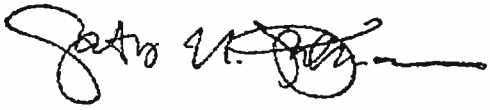
A new Administrative Memorandum addressing the Office of the Assessor's gift policy is being drafted prohibiting employees from accepting any gifts, meals, or transportation from taxpayers or their agents. This new department policy will exceed existing FPPC and County restrictions.

VI CONCLUSION

Considerable substantive work has been completed over the past 100 days. The department has substantially stabilized itself in the wake of the controversy: a number changes have been implemented to address those issues, and to improve departmental operations.

The men and women of the Office of the Assessor are extremely bright, talented and dedicated public service professionals who never cease to impress me with their knowledge and work ethic. I applaud them for their ability to complete the voluminous and complex work of the Annual Assessment Roll, despite the challenges facing the department.

Sincerely,



SANTOS H. KREIMANN
Chief Deputy Assessor

SHK:JP:tt

Attachments (5)

c: Honorable Members of the Board of Supervisors
Wendy L. Watanabe, Auditor-Controller
John F. Krattli, County Counsel
Lisa M. Garrett, Director, Department of Human Resources
Dean C. Logan, Registrar-Recorder/County Clerk
Mark J. Saladino, Treasurer and Tax Collector

Exhibit 1

SANTOS H. KREIMANN

CHIEF DEPUTY ASSESSOR

August 2, 2012

TO: Assessor Representatives

FROM: Santos H. Kreimann

SUBJECT: **GUIDELINES FOR ASSESSMENT APPEALS**

I would like to welcome our newest Assessor Representatives (ARs) to the Assessment Appeals Section. I appreciate your willingness to accept the responsibility of representing the Department at the Assessment Appeals Board (AAB). As we continue to advance our goals, I would like to establish some guidelines that will support your efforts to promote our motto of "Valuing People and Property" while working collaboratively to establish fair and equitable assessments.

- Any recommendation made at the AAB shall include a written explanation, supporting documentation, and the signatures of both the AR and the Testifying Appraiser.
- Assessor Representatives (ARs), in collaboration with Testifying Appraisers, will have the authority to approve recommendations made at the AAB up to 20 percent below the original value approved by the regional or area supervisor and/or manager(s) assuming the applicant has provided new and compelling evidence not previously considered.
- The Chief of the Assessment Services Division will have the authority to approve recommendations at the AAB up to 30 percent below the original value approved by the regional or area supervisor and/or manager(s) based on new and compelling justification.
- All original AAB appraisals shall have a Supervisor's signature; any reductions over $500,000, District Real Property, and $1,000,000, Major Real Property, shall require the signature of a Principal Appraiser.
- AAB appraisals that do not have the appropriate signatures will be returned to their applicable units for proper approval.
- Notwithstanding the above, all recommendations on large assessment roll decreases must conform to the approval requirements set forth in our Special Value Change Approval Policy (See Attached).

These guidelines are effective immediately. I appreciate your assistance as we continue to move forward to ensure that the Los Angeles County Assessor's Office will be the premier assessment agency in the nation.

c: Board of Supervisors
Executive Office, Board of Supervisors
Chief Executive Office
Assessment Appeals Board Members
Directors of Operations
District Chiefs
All Appraisal Staff

ASSESSOR Los Angeles County ASSESSOR	POLICY AND OPERATING PRACTICE MANUAL	NO. 4080-01-5
		EFFECTIVE 10-1-2012
		PAGE 1 OF 10
		DISTR. CODE 70
		FILE 4080-01-5OP.doc
		PUBLISHED 9-27-2012

ASSESSOR'S REPRESENTATIVES AND TESTIFYING APPRAISERS AT ASSESSMENT APPEALS BOARD PROCEEDINGS

The Revenue and Taxation Code section 1610.2 states: "The assessor in person or through a deputy shall attend all hearings of the county board and may make any statement or produce evidence on matters before the county board." The duty of the Assessor, or designated professional staff, is to establish "fair market value" and make every effort to ensure equalization.

At all hearings conducted before the Assessment Appeals Board (AAB) and before individual Hearing Officers (HO), a member of the Office of the Assessor will attend and act as the Assessor's Representative (AR). However, the testifying appraiser and the AR constitute the team that represents the Assessor. As such, both are valuable members with distinct responsibilities.

1. ORGANIZATION

1.1 There are two classifications of Assessor's Representatives:

A. Assessor Representatives (AR's) are appointed to the Assessment Appeals Section and assigned those responsibilities full-time.

B. Part time Assessor Representatives are assigned AR responsibilities on an occasional basis and primarily appear before individual Hearing Officers.

1.2 The Assessment Appeals Section in the Assessment Services Division functions as the Assessor's liaison with the Assessment Appeals Board.

1.3 Real Property appeals:

A. Assessment Appeals Board assignments – The AR's will be assigned by, and responsible to, the Assessment Appeals Section. Prior to any specific hearing, the Division Chief responsible for the case through the proper chain-of-command may request a designated AR through the Chief of the Assessment Services Division.

B. Hearing Officer assignments – The part-time AR's will be assigned by the respective District or Division Chief. For ownership issues, a part-time AR will be assigned by the Legal Services Section. The Appraisals sub-departments will assign only Supervising Appraisers and above to part-time AR duties for hearing officer proceedings at the Hall of Administration.

C. The District Chiefs may assign appraisers under the supervision of a Supervising or Principal Appraiser to act as part-time AR's at satellite locations in which Hearing Officer cases are being heard.

1.4 Personal Property appeals:

A. Assessment Appeals Board assignments – The AR's will be assigned by, and responsible to, the Assessment Appeals Section. Prior to any specific hearing, the Division Chief responsible for the case through the proper chain of command may request a designated AR through the Chief of the Assessment Services Division.

B. Hearing Officer assignments – The part-time AR's for District Office appeals will be assigned by the respective District Chief or Area Principal Appraiser. Part-time AR's for Major Personal Property appeals will be assigned by the Chief of Major Personal Property (MPP) or the Area 9 Principal Appraiser.

2. AR RESPONSIBILITES AND DUTIES AT THE APPEALS BOARD

All Assessor personnel who participate in the hearing come under the direction of the assigned AR's, as they are responsible for managing the Assessor's case presentation. The AR's responsibility is to facilitate the presentation of the department's case and to assist the appraiser in interactions with the Board and the applicant or taxpayer. The AR's speak for the department in regard to assessments, legal issues, and policy.

The AR's determine how the presentation will be made. For instance, the AR will decide whether the presentation will be delivered in narrative form by the appraiser or in the form of question and answer. The AR may:

A. Cross-examine.

B. Pose formal objections and make formal motions.

C. Argue the Assessor's case.

D. Communicate their evaluation and analysis of the Assessor's case to the Board.

E. Determine the extent of the testimony, and may limit the data presented.

3. TESTIFYING APPRAISERS RESPONSIBILITES AND DUTIES AT THE BOARD

3.1 The primary role of the appraiser in assessment appeals cases is to serve as a witness to the facts of the case and give expert testimony.

3.2 On the morning of the hearing, testifying appraisers should check-in with the Assessment Appeals Section with completed and approved cases.

A. All original AAB appraisals require the supervisor's approval and signature.

B. Any District Real Property reductions over $500,000, and any Major Real Property reductions over $1,000,000, require the Principal Appraiser's approval and signature.

C. District Appraisals assessment reduction recommendations in excess of $5,000,000, and Major Appraisals assessment reduction recommendations in excess of $10,000,000, must conform to the approval requirements as set forth in the *Policy and Operating Practices Manual – Memo 1502-1-8, Special Value Change Approval.*

3.3 If new information is presented on the day of the hearing, the testifying appraiser should review it and determine whether a thorough analysis can be completed the day of the hearing.

A. Relevant and verifiable information pertaining to the valuation should be considered.

B. If additional time is needed for an analysis of the new information, the testifying appraiser should discuss with the AR the necessity to continue the case.

3.4 The testifying appraiser must sign and print their name on all cases on which they appear.

3.5 After the hearings, the testifying appraiser must check-out with the assessment appeals clerk at the front counter in the Assessment Appeals Section of Assessment Services.

4. JOINT RESPONSIBILITIES

4.1 Prior to the day of the hearing, the AR or regional staff may initiate pre-hearing communications to discuss upcoming cases. This allows the Assessor's team to discuss pertinent issues related to the case in advance and prepare our appeal presentation. Complex cases, i.e. cases with high value changes and/or extenuating circumstance that affect the valuation, should be discussed by the assigned AR and preparing appraiser in advance of the hearing date whenever possible.

4.2 On the day of the hearing, the Assessor's Representative and the testifying appraiser will work together as a team to ensure that the Assessor is represented in a professional manner and that a fair and equitable value conclusion is presented to the Board.

4.3 The AR and testifying appraiser must ensure that *AABs Case Activity Reports* (CAR) (see Exhibit III) are completed for all Board cases that are granted a continuance or adjusted recommendation. The testifying appraiser prepares the report and gives a copy to the AR prior to check-out. The original CAR form must remain in the parcel jacket with the AAB-3 or narrative appraisal.

4.4 A Case Activity Report Summary will be prepared by the Chief Appraiser of Assessment Services and included in the Assessment Services Bi-Weekly Report.

5. AR'S AUTHORITY TO APPROVE RECOMMENDATIONS

At the hearing, the AR has the authority to approve recommendations to increase or decrease the assessed value, and to approve recommendations regarding ownership status/reassessability when either verifiable new evidence is presented or it can be ascertained that material errors or omissions were made in the preparation of the Assessor's case. Otherwise, a continuance of the hearing may be requested to provide more time to consider any new evidence or verify contested facts or omissions.

Any recommendation made at the AAB must include a written explanation, supporting documentation, and the signatures of both the AR and the testifying appraiser.

A. Assessor's Representatives (AR's), in collaboration with testifying appraisers, will have the authority to approve recommendations made at the AAB up to 20 percent below the original value approved by the regional or area supervisor and/or manager(s), not to exceed $5,000,000, District Real Property, and $10,000,000, Major Real Property, assuming the applicant has provided new and compelling evidence not previously considered.

B. The Chief of the Assessment Services Division will have the authority to approve recommendations at the AAB up to 30 percent below the original value approved by the regional or area supervisor and/or manager(s), not to exceed $15,000,000, District Real Property, and $20,000,000, Major Real Property, based on new and compelling justification.

C. If on the day of the hearing and prior to case presentation before the Board, new evidence is submitted that could result in a recommendation in excess of the limits stated above, a continuance should be requested to allow further review and approval by the responsible District or Major Appraisals management, and the Assistant Assessor if required.

6. AR'S AUTHORITY TO INITIATE RECOMMENDATIONS

On the date of the hearing, the AR may hold a conference with the applicant or agent to clarify the contested issues. In those instances, the AR will include the Assessor's appraiser. This is necessary so that the original position taken by the office and the facts upon which it is based can be made known to the AR, and any concerns as to the potential value changes can be appropriately discussed. At this conference the AR may conclude that it is appropriate to recommend a value change.

6.1 If the AR exercises the authority to make an AR initiated recommendation, the AR will meet privately with the appraiser/witness to explain the AR's reasoning and to provide the appraiser/witness the opportunity to express a contrary opinion prior to the resumption of the hearing. If the appraiser does not agree, he/she will not be asked to testify.

6.2 AR initiated recommendations require the approval and signature of the Chief Appraiser of Assessment Services and the completion of a written report that includes factual, theoretical, or judgmental issues considered by the AR in the value recommendation (see Exhibit I). If the AR is recommending a change to an Ownership Division position, a written report (see Exhibit II) will be required.

6.3 The written reports will be submitted to the responsible Chief Appraiser, Chief of Assessment Services, Director of Roll Services (for all properties), Director of District Appraisals (for District properties), Director of Major Appraisals (for Major properties) and the Assistant Assessor of Operations within five business days of the hearing and will be promptly reviewed by the responsible Chief. Any concerns he or she has must be expressed within ten business days of the receipt of this report

6.4 If the appraiser/witness has questions or concerns regarding an AR initiated value recommendation, the appraiser should discuss the details with the AR. If additional clarification is necessary, the appraiser should bring the matter to the attention of his or her Supervising Appraiser or Principal Appraiser as soon as feasible following the hearing. The supervisor or manager should then contact the AR or the Chief of the Assessment Services Division to discuss the matter.

6.5 If the AR has questions or concerns regarding the quality of the regional or area case preparation and/or testimony, he/she may discuss the matter with the responsible Supervising Appraiser or manager(s).

7. HEARING OFFICERS

The part-time AR's appearing before the Hearing Officer are assigned on an occasional basis in the capacity of both an Assessor's Representative and testifying appraiser. They present to the Hearing Officer, from the Assessor's records, whatever testimony they determine is proper and sufficient. Their authority and responsibility before the Hearing Officer are the same as that of the AR before the Appeals Board.

7.1 When an adjusted recommendation or continuance is granted, the reason should be entered on the AAB-3.

7.2 The part-time AR should sign and date all cases on which they appear.

7.3 If the part-time AR has any questions regarding the quality of the regional or area case preparation and/or testimony, he or she should discuss the matter with the lead Supervising Appraiser or manager as necessary.

George Renkei
Assistant Assessor

EXHIBIT I: ASSESSOR'S REPRESENTATIVE INITIATED RECOMMENDATION ON A CASE HEARD AT THE BOARD

OFFICE OF THE ASSESSOR

July 31, 2006

TO: Max Black, Chief
Assessment Services Division

FROM: Mike Green, Assessor's Representative
Assessment Appeals Section

SUBJECT: **ASSESSOR'S REPRESENTATIVE INITIATED RECOMMENDATION ON A CASE HEARD AT THE BOARD (APPLICATION #05-012345)**

AIN	Region	Property Use	Board	Date Heard	Issue
5094 – 023 – 010	23	Office	3	7/27/06	Prop 8

Applicant /Agent: ABCD Corporation / Susan Doe

Assessor's Representative: Mike Green

Preparing Appraiser: John Jones

Reviewing Appraiser: Mary Brown

Testifying Appraiser: John Jones

Year(s):	2005
Roll Value(s):	$51,000,000
Original Rec:	None
AR's Rec:	$40,000,000

Property Description: 15 story office building at Wilshire and Normandie, Los Angeles.

Reason for Recommendation: Asbestos removal cost to cure (not previously taken into account but documented just prior to the hearing with contractors' written estimates).

c: Assistant Assessor, Operations
Director, Roll Services
Director, Major Appraisals
Chief Appraiser, Major Real Property

EXHIBIT II: ASSESSOR'S REPRESENTATIVE INITIATED RECOMMENDATION ON AN OWNERSHIP ISSUE HEARD AT THE BOARD

OFFICE OF THE ASSESSOR

July 31, 2006

TO: Max Black, Chief
Assessment Services Division

FROM: Mike Green, Assessor's Representative
Assessment Appeals Section

SUBJECT: **ASSESSOR'S REPRESENTATIVE INITIATED RECOMMENDATION ON AN OWNERSHIP ISSUE HEARD AT THE BOARD (Application #05-012345)**

AIN:	5094-023-011
Applicant/Agent:	ABCD Corporation / Susan Doe
Hearing Date:	7/27/06
Board:	3
Assessor's Witness:	Charles Johnson

Reason for Recommendation:

The facts of the case are ...

Ownership Division takes the position that ...

It is the Assessor's Representative's position that ...

c: Assistant Assessor, Operations
Director, Roll Services
Chief, Ownership Division
Principal Appraiser, Legal Services

EXHIBIT III: AABS CASE ACTIVITY REPORT

ASSESSOR Los Angeles County

OFFICE OF THE ASSESSOR
AABS CASE ACTIVITY REPORT

Hearing Date: _____

Application Number: _____

Company Name: _____

Issue: _____

TESTIFYING APPRAISER: _____

ASSESSOR REPRESENTATIVE: _____

Property Description: _____ REGION: _____

CASE # _____ AIN _____ - _____ - _____

☐ **AMENDED RECOMMENDATION**

ORIGINAL RECOMMENDATION	→	AMMENDED RECOMMENDATION
Total $		Total $

Comments/Justification

_____

_____

_____

☐ **CONTINUED / REBUTTED** ☐ Taxpayer Req. ☐ Assessor Req.

Comments:

_____

_____

_____

_____

Testifying Appraiser (Sign): _____

Assessor's Representative (Sign): _____

☐ **FOLLOW UP ACTIVITY**

CONTACT T.P./ AGENT ☐

FIELD CHECK ☐

ANALYZE NEW INFORMATION ☐

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ASSESSOR Los Angeles County ASSESSOR	POLICY AND OPERATING PRACTICE MANUAL	NO. 1500-04-01
		EFFECTIVE 10-1-2012
		PAGE 1 OF 2
		DISTR. CODE 71
		FILE 1500-04-01.doc
		PUBLISHED 9-27-2012

CHANGE IN OWNERSHIP REAPPRAISAL - DISTRICT GUIDELINES

This memo provides guidelines for managing the Paperless Transfer System (PTS) work flow in the district offices.

1. PROCESSING GUIDELINES

1.1 The Assessor attempts to complete the valuation of all identified change in ownership transactions by the conclusion of each work year. In addition, the goal of the department is to reappraise all transfers within 120 days from the date Ownership Services receives the deeds from the Registrar-Recorder/County Clerk.

1.2 In most cases, the Ownership Services Division completes the deed processing within 60 days. The transfer is then entered on PTS and the Valuations Division reappraises and enrolls the new values within 60 days, thus meeting the 120 day goal.

1.3 When deeds are processed by Ownership Services with fewer than 120 days remaining in the work year, the departmental goal is to have those transfer valuations completed and posted to the Property Data Base (PDB) by the last PDB update prior to roll closure.

2. NOTIFICATION AND APPROVAL REQUIREMENTS

2.1 Transfers that exceed the 120 day period will be tracked through PTS to ensure proper notification and approval. The PTS On-Line Performance Audit Report has been developed for this purpose.

2.2 The following notification triggers have been established. <u>From the date the transfer enters the PTS appraisal queue:</u>

A. The Supervising Appraiser will approve transfers <u>up to 120 days</u>.

B. The Principal Appraiser must approve unvalued transfers <u>exceeding 120 days</u>.

C. The District Chief must approve unvalued transfers <u>exceeding 180 days</u>.

D. The PTS On-Line Performance Audit Report that identifies transfers in excess of 120 days and 180 days will be compiled bi-weekly by Special Projects, accessed from PTS, approved by appropriate managers, and retained by the District Chief.

E. Transfers which remain in the PTS appraisal queue <u>in excess of 1 year</u> must be itemized in the District production report narratives with a brief

explanation as to the cause. The minimum reporting criteria will include AIN, Cluster and Recording Date, in addition to the reason for the delay.

George Renkei
Assistant Assessor

ASSESSOR Los Angeles County ASSESSOR	POLICY AND OPERATING PRACTICE MANUAL	NO. 5210-03-2 EFFECTIVE 10-1-2012 PAGE 1 OF 2 DISTR. CODE 69 FILE 5210-03-2.doc PUBLISHED 9-27-2012

ACCEPTING SALE PRICE IN TRANSFER REAPPRAISAL (SBE RULE 2)

According to SBE Rule 2, and in conformance with the Revenue and Taxation Code Section 110, the words "full cash value" and "fair market value" mean the price at which a property would transfer for cash or its equivalent under prevailing market conditions and with the following provisions:

1) The property is exposed for sale in the open market for a reasonable time for the seller to find a purchaser and,
2) The buyer and seller have full knowledge of the uses to which the property may be put, both seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Effective September 25, 1991, the State Board of Equalization amended Rule 2 to provide that value means the price at which the "unencumbered or unrestricted fee simple interest in the real property (subject to any legally enforceable governmental restrictions) would transfer for cash or its equivalent..."

The State Board of Equalization also amended Rule 2 to reflect that when a reappraisable change in ownership occurs, the presumption that the sales price is the full cash value may be rebutted by evidence that the market value of the property is significantly more or less than the price paid for it. (A significant deviation is one of more than 5%.) The burden of proving value lies with the party seeking to overcome the presumption.

The presumption that the sales price is the full cash value does not apply to:

1) The transfer of any taxable possessory interest.
2) The transfer of real property when the consideration is in whole, or in part, in the form of ownership interests in a legal entity or the change in ownership occurs as a result of the acquisition of ownership interests in a legal entity.
3) The transfer of real property when the information prescribed in the change in ownership statement is not timely provided.

Rule 2 continues to provide that "if a single transaction results in a change in ownership of more than one parcel of real property, the purchase price shall be allocated among those parcels and other assets, if any, transferred based on the relative fair market value of each."

The amendment to Rule 2 is substantially in accord with our existing policy that the sale price be enrolled unless there is substantial and convincing evidence that the price is not an indication of market value. Departmental policy requires that appraisers provide written justification for not accepting the purchase price and references to supporting documentation. This information must be included in the comments section of the Paperless Transfer System (PTS).

The written justification should address the following questions:

1) Was this an arms-length, open-market transaction?
2) Was there favorable financing?
3) Was there any duress?
4) What was the listing price and how long was it on the market?
5) Is the contract rent at market? (if applicable)

The supporting documentation should include the following:

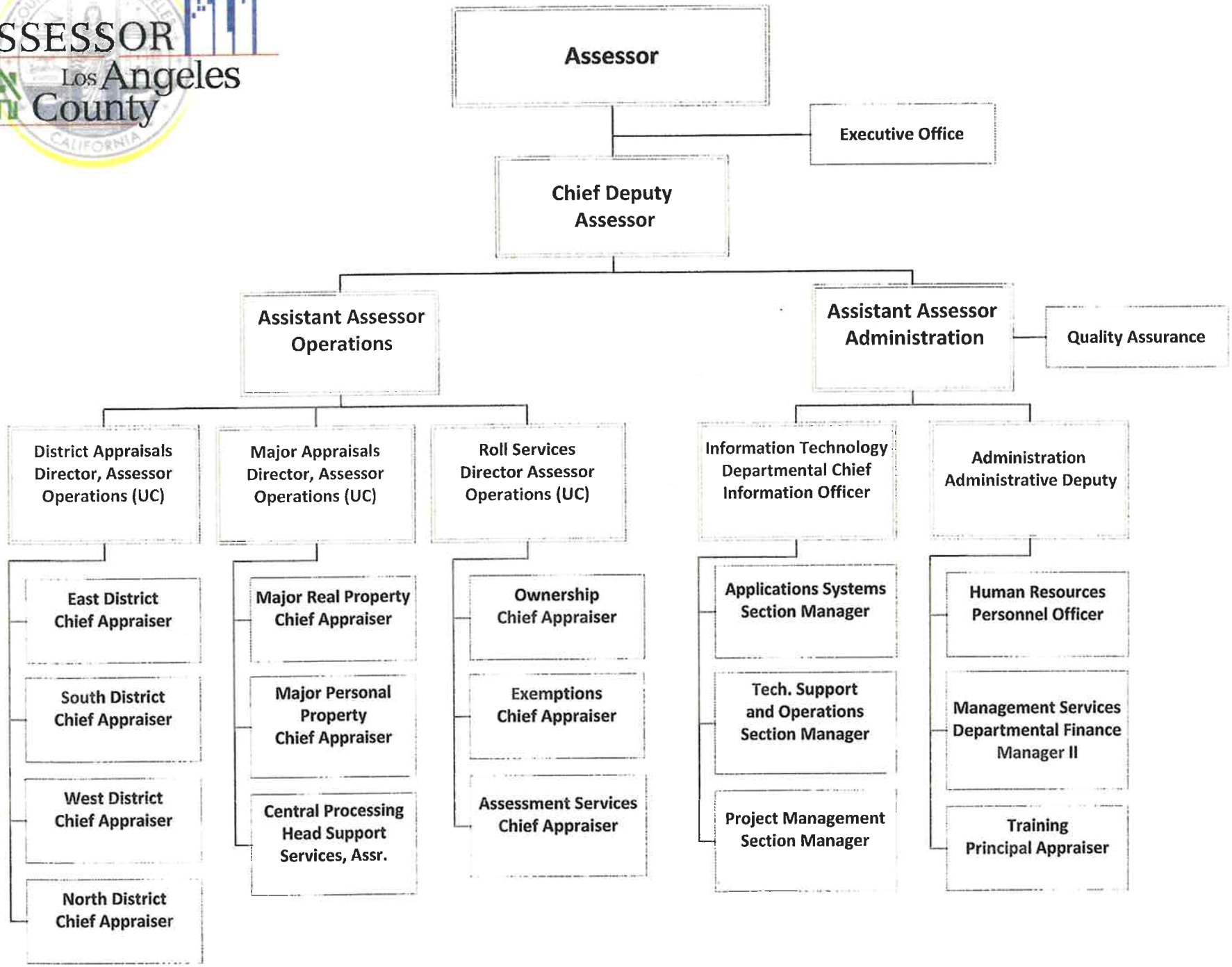
1) Aerial photographs of the subject and comparable properties.
2) Interior photographs of the subject and comparable properties, if available.
3) Property description and broker comments from MLS, Redfin, or other sources.
4) Subject lease information and market rent comparables. (if applicable)

The justification and documentation must be reviewed by the Supervising Appraiser prior to PTS approval.

George Renkei
Assistant Assessor

Exhibit 5

OFFICE OF THE ASSESSOR ORGANIZATION CHART



Attachment III

SACHI A. HAMAI
EXECUTIVE OFFICER

COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 383
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • FAX (213) 620-0636

MEMBERS OF THE BOARD

GLORIA MOLINA
MARK RIDLEY-THOMAS
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

December 14, 2012

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Sachi A. Hamai
Executive Officer

SUBJECT: MANAGEMENT AUDIT OF THE LOS ANGELES ASSESSOR ASSESSMENT APPEALS RECOMMENDATIONS

Attached is the Executive Office of the Board of Supervisors' revised response to the recommendations contained in the Management Audit of the Los Angeles Assessor conducted by Strategica which reference the Assessment Appeals Board. Please see the attached document which reflects our response to these recommendations.

Please contact Celia Zavala, Administrative Deputy at (213) 974-1419 if you have any questions or need additional information.

SAH:md

Attachments

c: Celia Zavala

County of Los Angeles
Executive Office of the Board of Supervisors
Response to Recommendations – Management Audit of the Los Angeles Assessor

INTEGRITY

Recommendations:

B1. The County should amend the proposed County Code section 2.165 to prohibit contributions from tax agents and their immediate family members (by blood or marriage).

Department Response: *PARTIALLY AGREE*

On November 13, 2012, on joint recommendation by County Counsel, Registrar-Recorder/County Clerk and the Executive Officer of the Board, the Board of Supervisors adopted an ordinance amending Chapter 2.190 to prohibit contributions from tax agents to the County's Assessor or candidates for Assessor. The proposed County Code Section 2.165 conforms to the adopted County Code Section 2.190 which is limited to tax agents. As advised by County Counsel, immediate family members were not included as they opined that this would violate their First Amendment protections of free speech.

B2. The County should send notices to all agents logged in the AAB's CRM system as taxpayer representatives for the previous twelve months with instructions to register as tax agents under County Code Section 2.165 or face enforcement action.

Department Response: *AGREE*

The Executive Office is currently working on an ordinance which would require tax agents to register under County Code Section 2.165. If the ordinance is adopted, County departments involved with the Property Tax System will conduct outreach to applicants and their representatives notifying them of the new ordinance requirements.

B3. The AAB should amend its Rules to designate certain parties in the CRM system when an appeal is filed (taxpayer and their representative) and within 10 days (assigned appraiser and an AR). Rules should be amended to stipulate that taxpayer representation should be limited to tax agents registered under 2.165. Rules should be amended to prohibit communication with any other parties except those designated until a case is cleared. County Code Chapter 2.165 should be amended to prohibit ex-parte communication during an active appeal by tax agents with any violation resulting in the loss of registration and a fine. AAB Rules should

be amended prohibiting ex-parte communication by a taxpayer with an active appeals case with any violation resulting in the invalidation of their application. AAB Rules should be amended to prohibit ex-parte communication on the part of the Assessor or his/her staff with any violation resulting in disciplinary action (up to and including suspension) of the employee.

Department Response: *PARTIALLY AGREE*

The AAB's Customer Relationship Management (CRM) system already designates the taxpayers and their representatives. However, having CRM identify the assigned appraiser and assessor's representative is not feasible as each can change numerous times over the life of a case. It is the Office of the Assessor which is the party to the case, not the individual employees of that Office. In other words, the assigned appraiser and assessor's representative are fungible; as such it would not be feasible to identify the assigned appraiser and assessor's representative initially assigned to each case, and it would be inefficient for AAB to have to constantly update CRM with new assigned appraiser and assessor's representative information.

The AAB rules mirror the State Board of Equalization Property Tax Rules. They are meant as an explanation guide to taxpayers of how the assessment appeals process works. The Executive Office is in the process of developing Tax Agent Registration Rules in anticipation of the Board of Supervisors adopting the ordinance which would implement Chapter 2.165 of the County Code.

B4. AAB rules should be amended to require taxpayers/agents (and family members) to disclose gifts, campaign contributions or donations to the Assessor or any AAB member when filing an appeal.

Department Response: *PARTIALLY AGREE*

On November 13, 2012, on joint recommendation by County Counsel, Registrar-Recorder/County Clerk and the Executive Officer of the Board, the Board of Supervisors adopted an ordinance amending Chapter 2.190 to prohibit contributions from tax agents to the County's Assessor or candidates for Assessor. Again, as advised by County Counsel, immediate family members were not included as they opined that this would violate their First Amendment protections of free speech.

The Assessment Appeals Board has a Code of Ethics which prohibits them from accepting any favors or gifts from an Applicant, a witness, the Assessor, or an

Assessor's Representative, or from a lawyer or agent practicing before the Board or from others whose interests are likely to be submitted to him/her for judgment. It is our understanding that the Assessor's Office is developing an internal policy which will address the acceptance of gifts and favors by their staff.

APPEALS

Recommendations:

F1. The County should amend Chapter 2.44 of the County Code to charge a $35 fee for filing an assessment appeal. This filing fee will help to defray the cost of the program and will help to discourage frivolous filings.

Department Response: *AGREE*

This office is currently looking into the feasibility of implementing a filing fee or pursuing legislation to implement filing fees or administrative fees on a statewide level.

F2. The AAB should amend Board rules to appoint a hearing officer to handle only continuances, withdrawals, and accepted recommendations rather than have these items presented to a board. Rules should waive appearance of parties once a hearing officer has approved the withdrawal, continuance or accepted recommendation. Withdrawals, continuances, and accepted recommendations should then be subject to Board review in the same fashion as other hearing officer decisions. The new AAB Case Activity Report can be used by the parties as a tool to document withdrawals, continuances, and accepted recommendations for review and approval by the hearing officer.

Department Response: *PARTIALLY AGREE*

Board rules already allow for hearing officers to approve withdrawals, continuances and Assessor's recommendations up to $3 million in roll value for commercial/industrial or on single family residences, and other residential property up to four units regardless of value. This is in accordance with Section 1637 of the Revenue and Taxation Code which sets forth conditions under which an application may be heard by a hearing officer. Additionally the County of Los Angeles has a non-binding system and a roll value of up to $3 million for certain types of properties based on resolutions adopted by the Board of Supervisors pursuant to Sections 1640.1 and 1641.1. Thus hearing officers may hear appeals on commercial/industrial property with a roll value up to $3 million or on

single family residences, and other residential property up to four units regardless of value. All other appeals are scheduled before the Assessment Appeals Board. Should the County revert to a binding system, the value of the property appealed on the current assessment role could not exceed $500,000.

As such, the County would not want to amend its Board Rules to appoint a hearing officer to handle only continuances, withdrawals and Assessor's recommendations, as this would force the county to become a binding system and would increase the number of appeal cases before the Assessment Appeals Board.

F3. The AAB should amend rules such that parties to an appeal must show true hardship for second (or subsequent) continuance requests. Hearing officers presented with continuance requests should deny requests except for hardship. Owner-occupied SFR cases (without tax agent representation) should be exempt from this rule. Appendix D shows the proposed appeals process.

Department Response: *DISAGREE*

The decision to continue a case should be left at the discretion of the Assessment Appeals Board as long as the requesting party shows good and reasonable cause. It is not clear by the report what is recommended as a true hardship for additional continuance requests. In addition, it should be noted that hearing officers do not typically grant continuances but rather unset cases to the Assessment Appeals Board.

F7. The County should reengineer the AAB's CRM system to incorporate Assessor's scheduling and data requirements and repair data conversion issues.

Department Response: *PARTIALLY AGREE*

The County should create a single application that would consolidate business functions between AAB, Assessor's, Auditor Controller and the Treasurer and Tax Collector. Short of having this, each department will continue to maintain its own applications independent of each other. For that reason, once the data files are transferred from one department to the other department, it has been up to that individual department's IT team to convert and upload the data to its own

application. Therefore, the Assessor's scheduling system would be created and maintained by the Assessor and not the Executive Office.

Attachment III

SACHI A. HAMAI
EXECUTIVE OFFICER

COUNTY OF LOS ANGELES
BOARD OF SUPERVISORS

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December 14, 2012

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Sachi A. Hamai
Executive Officer

SUBJECT: MANAGEMENT AUDIT OF THE LOS ANGELES ASSESSOR ASSESSMENT APPEALS RECOMMENDATIONS

Attached is the Executive Office of the Board of Supervisors' revised response to the recommendations contained in the Management Audit of the Los Angeles Assessor conducted by Strategica which reference the Assessment Appeals Board. Please see the attached document which reflects our response to these recommendations.

Please contact Celia Zavala, Administrative Deputy at (213) 974-1419 if you have any questions or need additional information.

SAH:md

Attachments

c: Celia Zavala

County of Los Angeles
Executive Office of the Board of Supervisors
Response to Recommendations – Management Audit of the Los Angeles Assessor

INTEGRITY

Recommendations:

B1. The County should amend the proposed County Code section 2.165 to prohibit contributions from tax agents and their immediate family members (by blood or marriage).

Department Response: *PARTIALLY AGREE*

On November 13, 2012, on joint recommendation by County Counsel, Registrar-Recorder/County Clerk and the Executive Officer of the Board, the Board of Supervisors adopted an ordinance amending Chapter 2.190 to prohibit contributions from tax agents to the County's Assessor or candidates for Assessor. The proposed County Code Section 2.165 conforms to the adopted County Code Section 2.190 which is limited to tax agents. As advised by County Counsel, immediate family members were not included as they opined that this would violate their First Amendment protections of free speech.

B2. The County should send notices to all agents logged in the AAB's CRM system as taxpayer representatives for the previous twelve months with instructions to register as tax agents under County Code Section 2.165 or face enforcement action.

Department Response: *AGREE*

The Executive Office is currently working on an ordinance which would require tax agents to register under County Code Section 2.165. If the ordinance is adopted, County departments involved with the Property Tax System will conduct outreach to applicants and their representatives notifying them of the new ordinance requirements.

B3. The AAB should amend its Rules to designate certain parties in the CRM system when an appeal is filed (taxpayer and their representative) and within 10 days (assigned appraiser and an AR). Rules should be amended to stipulate that taxpayer representation should be limited to tax agents registered under 2.165. Rules should be amended to prohibit communication with any other parties except those designated until a case is cleared. County Code Chapter 2.165 should be amended to prohibit ex-parte communication during an active appeal by tax agents with any violation resulting in the loss of registration and a fine. AAB Rules should

be amended prohibiting ex-parte communication by a taxpayer with an active appeals case with any violation resulting in the invalidation of their application. AAB Rules should be amended to prohibit ex-parte communication on the part of the Assessor or his/her staff with any violation resulting in disciplinary action (up to and including suspension) of the employee.

Department Response: *PARTIALLY AGREE*

The AAB's Customer Relationship Management (CRM) system already designates the taxpayers and their representatives. However, having CRM identify the assigned appraiser and assessor's representative is not feasible as each can change numerous times over the life of a case. It is the Office of the Assessor which is the party to the case, not the individual employees of that Office. In other words, the assigned appraiser and assessor's representative are fungible; as such it would not be feasible to identify the assigned appraiser and assessor's representative initially assigned to each case, and it would be inefficient for AAB to have to constantly update CRM with new assigned appraiser and assessor's representative information.

The AAB rules mirror the State Board of Equalization Property Tax Rules. They are meant as an explanation guide to taxpayers of how the assessment appeals process works. The Executive Office is in the process of developing Tax Agent Registration Rules in anticipation of the Board of Supervisors adopting the ordinance which would implement Chapter 2.165 of the County Code.

B4. AAB rules should be amended to require taxpayers/agents (and family members) to disclose gifts, campaign contributions or donations to the Assessor or any AAB member when filing an appeal.

Department Response: *PARTIALLY AGREE*

On November 13, 2012, on joint recommendation by County Counsel, Registrar-Recorder/County Clerk and the Executive Officer of the Board, the Board of Supervisors adopted an ordinance amending Chapter 2.190 to prohibit contributions from tax agents to the County's Assessor or candidates for Assessor. Again, as advised by County Counsel, immediate family members were not included as they opined that this would violate their First Amendment protections of free speech.

The Assessment Appeals Board has a Code of Ethics which prohibits them from accepting any favors or gifts from an Applicant, a witness, the Assessor, or an

Assessor's Representative, or from a lawyer or agent practicing before the Board or from others whose interests are likely to be submitted to him/her for judgment. It is our understanding that the Assessor's Office is developing an internal policy which will address the acceptance of gifts and favors by their staff.

APPEALS

Recommendations:

F1. The County should amend Chapter 2.44 of the County Code to charge a $35 fee for filing an assessment appeal. This filing fee will help to defray the cost of the program and will help to discourage frivolous filings.

Department Response: *AGREE*

This office is currently looking into the feasibility of implementing a filing fee or pursuing legislation to implement filing fees or administrative fees on a statewide level.

F2. The AAB should amend Board rules to appoint a hearing officer to handle only continuances, withdrawals, and accepted recommendations rather than have these items presented to a board. Rules should waive appearance of parties once a hearing officer has approved the withdrawal, continuance or accepted recommendation. Withdrawals, continuances, and accepted recommendations should then be subject to Board review in the same fashion as other hearing officer decisions. The new AAB Case Activity Report can be used by the parties as a tool to document withdrawals, continuances, and accepted recommendations for review and approval by the hearing officer.

Department Response: *PARTIALLY AGREE*

Board rules already allow for hearing officers to approve withdrawals, continuances and Assessor's recommendations up to $3 million in roll value for commercial/industrial or on single family residences, and other residential property up to four units regardless of value. This is in accordance with Section 1637 of the Revenue and Taxation Code which sets forth conditions under which an application may be heard by a hearing officer. Additionally the County of Los Angeles has a non-binding system and a roll value of up to $3 million for certain types of properties based on resolutions adopted by the Board of Supervisors pursuant to Sections 1640.1 and 1641.1. Thus hearing officers may hear appeals on commercial/industrial property with a roll value up to $3 million or on

single family residences, and other residential property up to four units regardless of value. All other appeals are scheduled before the Assessment Appeals Board. Should the County revert to a binding system, the value of the property appealed on the current assessment role could not exceed $500,000.

As such, the County would not want to amend its Board Rules to appoint a hearing officer to handle only continuances, withdrawals and Assessor's recommendations, as this would force the county to become a binding system and would increase the number of appeal cases before the Assessment Appeals Board.

F3. The AAB should amend rules such that parties to an appeal must show true hardship for second (or subsequent) continuance requests. Hearing officers presented with continuance requests should deny requests except for hardship. Owner-occupied SFR cases (without tax agent representation) should be exempt from this rule. Appendix D shows the proposed appeals process.

Department Response: *DISAGREE*

The decision to continue a case should be left at the discretion of the Assessment Appeals Board as long as the requesting party shows good and reasonable cause. It is not clear by the report what is recommended as a true hardship for additional continuance requests. In addition, it should be noted that hearing officers do not typically grant continuances but rather unset cases to the Assessment Appeals Board.

F7. The County should reengineer the AAB's CRM system to incorporate Assessor's scheduling and data requirements and repair data conversion issues.

Department Response: *PARTIALLY AGREE*

The County should create a single application that would consolidate business functions between AAB, Assessor's, Auditor Controller and the Treasurer and Tax Collector. Short of having this, each department will continue to maintain its own applications independent of each other. For that reason, once the data files are transferred from one department to the other department, it has been up to that individual department's IT team to convert and upload the data to its own

application. Therefore, the Assessor's scheduling system would be created and maintained by the Assessor and not the Executive Office.