



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Grant County

For the period January 1, 2016 through December 31, 2017

Published July 23, 2018

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**Office of the Washington State Auditor
Pat McCarthy**

July 23, 2018

Board of Commissioners
Grant County
Ephrata, Washington

Report on Accountability

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

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, except as described below, County operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the County could make improvements.

We recommend the County design and fully implement internal controls adequate to accurately and quickly assess property values, including verification that updated cost tables are used, and perform an independent review over all data entries to determine accuracy and completeness. Further, we recommend the County maintain adequate documentation supporting all valuations, including real-property revaluations and new construction appraisals, to allow the DOR to perform useful calculations during its reviews.

These recommendations were included with our report as a finding.

As referenced above, we also noted certain matters that we communicated to County management and Board of Commissioners in a letter dated July 10, 2018, related to self-insurance program compliance requirements.

We appreciate the County's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Grant County from January 1, 2016 through December 31, 2017.

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

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the County's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended December 31, 2017 and 2016, the areas

examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Assessor's Office – real and personal property tax assessments
- Self-Insurance – program compliance requirements
- Payroll – employee payments, overtime pay, and retroactive pay
- Credit card activity – supported, allowable, and approved purchases
- Fairgrounds – cash receipting and fee schedule compliance

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 Grant County had inadequate controls over property assessments to verify the assessments were accurate and timely.

Background

The County Assessor's Office is responsible for the valuation of about 53,500 real property parcels. Assessed value of these parcels totaled about \$10 billion in 2016 and \$10.4 billion in 2017. The County Assessor's Office also is responsible for designing and implementing internal controls adequate to verify assessments are accurate and timely.

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

Description of Condition

Our prior two audits covering fiscal years 2014 and 2015 identified a lack of monitoring over exemptions, personal property, assessment data and construction in progress.

The Assessor's Office continues to lack adequate independent monitoring or review over key systems to verify accurate and timely reporting. Specifically, we identified the following deficiencies that have existed since 2014:

- The Assessor's Office failed to upgrade its cost tables the first available year, affecting assessed property value in Grant County. The County is currently using 2013 cost tables.
- The Assessor's Office did not maintain adequate documentation to support or demonstrate accuracy of its re-evaluation schedule, or that a reconciliation of assessed value to tax billings occurred.

No one independently reviewed staff entry or approval of either personal property values or property tax exemptions into the tax software, which increased the likelihood of error. Additionally, it is possible for personnel to enter data related to personal or family businesses. Without an adequate review process, potential conflicts of interest would not be detected.

Cause of Condition

Due to the complexity and nature of property assessments, we did not expect all conditions identified in our 2015 audit to be fully corrected by December 31, 2017. However, there were certain control deficiencies that could have been addressed. We continued to identify the following causes of these conditions. The Assessor's Office did not:

- Use up-to-date cost tables, further affecting final assessed values
- Dedicate the time or resources needed to ensure key staff had the technical knowledge to accurately classify and assess property values.
- The Assessor's Office did not adequately monitor and review data entry to properly verify assessed values and exemptions.

Effect of Condition

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

The International Assessing Officers' standards require the ratio to fall between .90 and 1.10. The following table depicts Grant County's ratios.

	2013	2014	2015	2016	2017
Real	0.88	0.792	0.80	0.84	0.80
Personal	0.96	0.97	0.96	0.96	0.97
Combined	0.88	0.80	0.82	0.85	0.82
<i>Allowable</i>	<i>0.9-1.1</i>	<i>0.9-1.1</i>	<i>0.9-1.1</i>	<i>0.9-1.1</i>	<i>0.9-1.1</i>

The lack of accurate assessments, timely valuation and reporting of new construction, and the use of an outdated cost table, resulted in a risk that the County inequitably assessed tax on property owners. This risk is amplified because of the lack of controls over timely assessments of new construction, implementation of current cost tables, and entries of property-tax exemptions and personal-property values.

Recommendations

We recommend the County design and fully implement internal controls adequate to accurately and quickly assess property values, including verification that updated cost tables are used, and perform an independent review over all data entries to determine accuracy and completeness. Further, we recommend the County maintain adequate documentation supporting all valuations, including real-property revaluations and new construction appraisals, to allow the DOR to perform useful calculations during its reviews.

County's Response

I would like to start out by saying thank you for being so good to work with through this process. It has been a great partnership to get the Assessor's Office sorted out and on the right path. I would also like to say thank you for looking at all the data we had and saving the County money since this was an ongoing issue that took a few years to straighten out.

We are current on our cost tables. We are on the most current offered which is the Marshal and Swift 2017 cost tables. It took a few years to get us to this point, but we will continue to upgrade to the most current every two years. This allows us to find a base-line to watch for calculation errors in the software program.

The second issue, documentation to support accuracy of the re-evaluation schedule, or that a reconciliation of assessed value to tax billings occurred. We immediately changed the process and procedures to keep all working reports that show the balancing to Treasurer Reports. We also have all records as to how all parcels are evaluated along with the ability to show audit trails on each parcel. We even have a weekly report on the completed caseload of the appraisers for each revaluation period.

The last issue, the audit procedure regarding the entry of personal property values and the property tax exemptions. We now of procedures that there is a yearly audit of the personal property values that are above the audit requirements. We are currently auditing 33% of the personal property accounts. We currently audit 100% of the senior exemptions and 50% of the current use properties in the current revaluation period each year.

As we continue to clean up each parcel we strive for consistency and equitability to the taxpayers of Grant County while meeting the requirements of the State. We will need to go through another three years of revaluation cycles to fix past issues to be able to bring up the ratio of the County. We still have areas we cannot market adjust due to how things were entered differently and this causes issues when mass

adjusting parcels. I have included the recent reports showing the County has an actual real property ratio for the 2017 year of 84.6% and not the 80% the Department of Revenue estimated for their use. We are making strides every year to get into and remain in compliance.

Auditor's Remarks

We appreciate the steps the County is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Chapter 84.41.030 RCW 84.41.030, Revaluation program to be on continuous basis
– Revaluation schedule – Effect on other proceedings on valuation

Chapter 84.41.060 RCW 84.41.060, Assistance by department of revenue at request of assessor

Chapter 43.09.200 RCW, Local government accounting – Uniform system of accounting

The *Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control.

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives.

3.1.3.30 Management and the governing body are responsible for the government's performance, compliance and financial reporting.

3.1.3.110 This objective refers to compliance with laws, regulations, contracts, grant agreements and government policies, including the requirement to safeguard public resources against misappropriation and misuse.

3.1.3.120 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of requirements
- Compliance
- Safeguarding of public resources

3.1.3.130 Controls and processes should generate adequate documentation to demonstrate achievement of objectives.



GRANT COUNTY ASSESSOR

P.O. Box 37 Ephrata, WA 98823 (509) 754-2011 EXT. 2683

July 17, 2018

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Grant County January 1, 2016 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2015 through December 31, 2015	Report Ref. No.: 1019568	Finding Ref. No.: 2015-001
Finding Caption: Grant County had inadequate controls over property assessments to ensure the assessments are accurate and timely.		
Background: During 2015, the Assessor's Office lacked adequate, independent monitoring or review over key systems to ensure accurate or timely reporting. Affected processes included; failure to use up-to-date cost tables, maintenance of valuation schedules and billing reconciliations, and independent review of valuation. The County's assessed values may be inaccurate as a result of noted conditions. The lack of accurate assessments, timely valuation and reporting of new construction, and the use of an outdated cost table, resulted in a risk that inequitable tax assessment has been placed on Grant County property owners. We recommend the County design and implement internal controls adequate to accurately and timely assess property values, including verification that updated cost tables are used, and perform and independent review over all data entries to determine accuracy and completeness. Further, we recommend the County maintain adequate documentation supporting all valuations, including real-property revaluations and new construction appraisals to allow the Department of Revenue to perform useful calculations during its reviews.		

Status of Corrective Action: (check one)

Fully
Corrected

Partially
Corrected

Not Corrected

Finding is considered no
longer valid

Corrective Action Taken:

- *The Assessor's Office failed to upgrade its cost tables the first available year, affecting assessed property value in Grant County. The County has updated cost tables since our prior audit but is not yet using the latest applicable cost tables.*

(Partially Corrected) Please be advised the revaluation cycle for 2015 assessments for 2016 taxes started in October 2014 before I took office. You cannot change how you assess in a revaluation cycle in the middle of that cycle as that would cause inequities. I did change the cost table to the next available (which was the 2013 cost tables) before we started the 2016 assessments for 2017 taxes which the revaluation cycle started in September 2015. It will take a few years to get up to the most current cost tables each year. The plan was to then change to the most up to date for the 2018 for 2019 tax year, however due to the huge changes, we opted to stay for another year at the 2013 rates to get a baseline. We will be moving to the most recent cost tables for the 2019 for 2020 year, which will begin the summer of 2018.

- *The Assessor's Office did not maintain adequate documentation to demonstrate its re-evaluation schedule was accurate and supported, or that a reconciliation of assessed value to tax billings occurred.*

(Fully Corrected) Reports out of our software are not re-creatable, so we now keep the reports that we use to report to Department of Revenue and we keep the working reports that we mark up as proof of reconciling to the tax billings.

- *No one independently reviewed staff entry or approval of either personal property values or property tax exemptions into the tax software, which increased the likelihood of error. Additionally, it is possible for personnel to data enter information related to personal or family businesses, and without an adequate review process, potential conflict of interests would not be detected.*

(Full Corrected) We now have a formal policy that no one can enter anything on their own parcel or their families. This includes Exemptions and Personal Property. The personal property is audited (we did 33 percent of all accounts and family businesses are audited yearly) by Bobbee Poplawski. She also audits the exemptions. Senior exemptions are all audited on a monthly basis so she can audit the financial paperwork. This means 100 percent of the senior accounts are audited. She then shreds the paperwork when she is done auditing those accounts. She keeps a spreadsheet of her audit for the State Auditor.

Sincerely,

Melissa McKnight

Grant County Assessor

RELATED REPORTS

Financial

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

That report includes a finding for a material weakness in internal controls over financial statement preparation.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report.

INFORMATION ABOUT THE COUNTY

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

An elected, three-member Board of Commissioners governs the County. Seven additional elected officials monitor and administer County programs including Assessor, Auditor, Clerk of the Court, Coroner, Prosecutor, Sheriff and Treasurer. The County operated on budgets of approximately \$133 million and \$135 million in 2016 and 2017 respectively. It has about 690 employees who provide an array of services including sheriff/law enforcement, fire prevention, road improvement, judicial administration, health and social services, recreation and general administrative services. The County also operates a sanitary landfill and multiple transfer stations located throughout the County.

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

Audit history

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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