

Audit Report

Property Tax Assessment Appeals Boards

February 2010



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

-
- This report and any related follow-up correspondence are available to the public through the Office of Legislative Audits at 301 West Preston Street, Room 1202, Baltimore, Maryland 21201. The Office may be contacted by telephone at 410-946-5900, 301-970-5900, or 1-877-486-9964.
 - Electronic copies of our audit reports can be viewed or downloaded from our website at <http://www.ola.state.md.us>.
 - Alternate formats may be requested through the Maryland Relay Service at 1-800-735-2258.
 - The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at 410-946-5400 or 301-970-5400.
-



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

February 4, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Property Tax Assessment Appeals Boards for the period beginning December 1, 2006 and ending August 20, 2009. Boards are established in each local jurisdiction to hear appeals of property tax assessments.

Our audit did not disclose any findings.

We wish to acknowledge the cooperation extended to us during our audit by the Boards.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Boards consists of the local boards, which have been established in the 24 local jurisdictions to hear appeals of property tax assessments, and an administrative office located in Hagerstown. Each local board consists of three members and an alternate who are appointed by the Governor for five-year terms. According to the State's records, the Boards' fiscal year 2009 operating expenditures totaled approximately \$940,000 and primarily consisted of local boards' expenses.

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated April 25, 2007. We determined that the Boards satisfactorily addressed that finding.

Questionable Payroll Practices at One Local Board

In June 2007, a board member of one local jurisdiction disclosed that hours reported on timesheets by that board member and by two other board members in that jurisdiction had been overstated for approximately four years. During the period from June to August 2007, the assistant attorney general assigned to the Boards conducted an investigation and estimated that the board members had overbilled for time worked in amounts ranging from \$60,000 and \$80,000 each over the four-year period. In September and October 2007, the board members resigned. We were advised by the Boards' management personnel that its legal counsel discussed this matter with various State representatives, including personnel from the Governor's Office and the Office of the Attorney General's Criminal Division. The aforementioned parties and the board members agreed that, in exchange for the payment of partial restitution, the State would forego any further collection or litigation against the board members. Specifically, two of the board members repaid \$15,000 each in May 2008, and the board member who disclosed the fraud repaid \$5,000 in October 2008. Our audit disclosed that the Boards had implemented procedures to help prevent this matter from recurring in the future.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Boards' internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to the Boards. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have audited the Property Tax Assessment Appeals Boards for the period beginning December 1, 2006 and ending August 20, 2009. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Boards' financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. The areas addressed by the audit included payroll and appeals case management. We also determined the status of the finding contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Boards' operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

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

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

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

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

AUDIT TEAM

Mark A. Ermer, CPA
Audit Manager

Adam J. Westover, CPA
Senior Auditor