

Audit Report

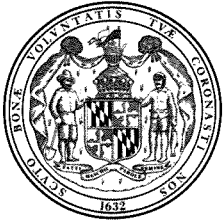
Maryland Tax Court

May 2013



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

May 9, 2013

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Ladies and Gentlemen:

We have audited the Maryland Tax Court (MTC) for the period beginning February 3, 2010 and ending February 19, 2013. MTC's primary purpose is to provide the final administrative hearings for appeals of taxing authority decisions within the State, including the Comptroller of Maryland, Property Tax Assessments Appeals Boards, and local collectors.

Our audit disclosed that MTC did not always hear and determine residential property tax assessment appeal cases within 90 days of the appeals being received, as required by State law.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland Tax Court (MTC) provides the final administrative hearings for appeals of taxing authority decisions within the State. Decisions of the Comptroller of Maryland, Property Tax Assessment Appeals Boards, local collectors, and other taxing authorities may be appealed to MTC. Decisions of MTC may be appealed to the Circuit Court. MTC consists of five judges appointed by the Governor for six-year terms. According to the State's records, during fiscal year 2012, MTC had nine authorized positions and expenditures totaling approximately \$582,700.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the one finding contained in our preceding audit report dated April 6, 2010. We determined that MTC did not satisfactorily address this finding, which is repeated in this report.

Findings and Recommendations

Timeliness of Disposition of Cases

Finding 1

MTC did not always hear and determine residential property tax assessment appeals within 90 days of receipt of the appeals, as required by State law.

Analysis

According to MTC's report of residential property tax assessment appeals, which we determined to be reliable, MTC did not always hear and determine these appeals within 90 days of receipt. The report showed that a total of 720 residential property tax assessment appeals were both filed and heard during the period from July 1, 2010 to February 20, 2013, excluding appeals that had been postponed by the property owners. However, 293 of these appeals (41 percent) were heard and determined between 120 days and 461 days after the appeals were filed, meaning that the appeal decisions were rendered one month to one year after the 90-day period required by law.

State law requires MTC to hear and determine each residential property tax appeal within 90 days of the appeal being received by MTC unless extended by the court at the request of a party.

A similar condition was noted in our preceding audit report. MTC believes that a reduction in personnel contributed to the delays. Nevertheless, our prior audit identified that 62 percent of the appeals were not heard in a timely manner, indicating some improvement since last audit.

Recommendation 1

We recommend that MTC take appropriate action to hear and determine property tax assessment appeals within the time frame required by State law (repeat).

Audit Scope, Objectives, and Methodology

We have audited the Maryland Tax Court (MTC) for the period beginning February 3, 2010 and ending February 19, 2013. 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 MTC's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. 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. The areas addressed by our audit included contract procurement and disbursements, residential property appeals, and payroll. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MTC's 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.

MTC's 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 the 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.

Our audit did not disclose any conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MTC's ability to maintain reliable financial records, operate effectively and efficiently and comply with applicable laws, rules, and regulations. Our report includes a finding that we consider to be a significant instance of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to MTC that did not warrant inclusion in this report.

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

STATE OF MARYLAND
MARYLAND TAX COURT

SUITE 1513
301 W. PRESTON STREET
BALTIMORE, MARYLAND 21201
410-767-4830
TOLL FREE: 1-866-223-6075
INTERNET: WWW.TXCRT.STATE.MD.US

CHIEF JUDGE
WALTER C. MARTZ, II
JUDGES
STEVEN E. SILBERG
SANDER Z. GOLDBERG
DAVID W. GREGORY
DAVID S. BLIDEN



CLERK
JOHN T. HEARN

May 8, 2013

Thomas J. Barnickel III, CPA
Office of Legislative Audits
Room 1202
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel:

The Court is in receipt of the draft audit report compiled as a result of your audit of the Maryland Tax Court for the period February 3, 2010 to February 19, 2013. I appreciate the opportunity to submit a response.

First, the Court confirms that the description of the Agency Responsibilities is accurate.

As to the audit's single finding and recommendation, the Court concurs with the accuracy of the numbers as presented in that report and its conclusion that the 90-day requirement for the disposition of all residential appeals has been difficult to maintain.

The Court is pleased that the report notes that, despite a 25% reduction in staff (PINs) since 2010 combined with a 25% increase in the number of property valuation appeals in that same time period, there was a decline in the compliance deviation from 62% to 41% since the prior audit. Those appeals that went beyond the required days include those with procedural issues (i.e. preliminary motions, requests for specific hearing locations and time allocations, etc.) and those with increased or unusual complexity (i.e. discovery disputes, legal memorandum filings, etc.).

The improvement in compliance is a result of procedural steps taken such as reducing time allotments for pleading responses, the dismissals of settled appeals, scheduling additional hearings in a hearing day and streamlining the decision review process through electronic means.

In addition, in 2012, the Court directed that all residential property valuation appeals will be scheduled within 60 days of its filing date whether that appeal is ripe for hearing or not. Also, at the suggestion of the auditors, increased monitoring of the waiver requests has been implemented in order to provide a more accurate representation of those appeals that should be included in any time calculation.

All of the above has significantly reduced the average processing time of these appeals from 120 days in FY 2011 to 96 days in FY 2013 and the Court expects even further declines in the number of processing days in future years.

In conclusion, the Maryland Tax Court has undertaken measures that, with a stabilizing economic market along with a stabilization of real property values, will result in continued improvement in efficiency in accordance with the legislative time directives for residential property tax appeals.

Very Truly Yours,

A handwritten signature in black ink that reads "Walter C. Martz, II".

Walter C. Martz, II
Chief Judge

AUDIT TEAM

Matthew L. Streett, CPA, CFE
Audit Manager

Erin D. Erdley, CPA
Senior Auditor