

Audit Report

Property Tax Assessment Appeals Boards

January 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Clarence K. Lam, M.D. (Senate Chair)	Delegate Shelly L. Hettleman (House Chair)
Senator Malcolm L. Augustine	Delegate Steven J. Arentz
Senator Adelaide C. Eckardt	Delegate Mark S. Chang
Senator George C. Edwards	Delegate Keith E. Haynes
Senator Katie Fry Hester	Delegate Michael A. Jackson
Senator Cheryl C. Kagan	Delegate David Moon
Senator Benjamin F. Kramer	Delegate April R. Rose
Senator Cory V. McCray	Delegate Geraldine Valentino-Smith
Senator Justin D. Ready	Delegate Karen Lewis Young
Senator Craig J. Zucker	One Vacancy

To Obtain Further Information

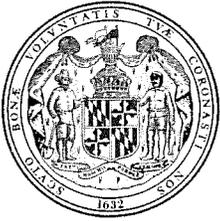
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900 · 1-877-486-9964 (Toll Free in Maryland)
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

January 31, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Property Tax Assessment Appeals Boards for the period beginning November 12, 2015 and ending March 24, 2019. The Boards consist of the local boards established in each of the State's 24 local jurisdictions to hear appeals of property tax assessments.

Our audit disclosed that the Boards did not have adequate procedures in place to ensure the propriety of work hours recorded in the Statewide Personnel System for local board members. Consequently, there was a lack of assurance that payroll payments to board members were proper.

Our audit also included a review to determine the status of the finding contained in our preceding audit report. We determined that the Boards satisfactorily addressed this finding.

The Boards' response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by the Boards and its willingness to address the audit issues and implement appropriate corrective action.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, prominent initial "G".

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Property Tax Assessment Appeals Boards consist 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 in most jurisdictions one alternate member, who are appointed by the Governor for five-year terms. According to the State's records, the Boards' fiscal year 2019 operating expenditures totaled approximately \$913,000.

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 September 12, 2016. We determined that the Boards satisfactorily addressed this finding.

Findings and Recommendations

Payroll

Finding 1

Adequate procedures were not in place to ensure the propriety of work hours recorded in the Statewide Personnel System (SPS) for local board members.

Analysis

Adequate procedures were not in place to ensure the propriety of work hours recorded in SPS for local board members. Specifically, personnel at the Boards' administrative office who were responsible for recording local board members' time in SPS did not ensure that all timesheets had been signed by the board members and approved as required, and our testing disclosed instances of timesheets that had not been signed and/or approved. Since board members were paid only for actual hours worked, there was lack of assurance that local board member payments were proper. During calendar year 2018, according to the State's records, 95 local board members received payroll payments totaling approximately \$164,000.

Board members prepared manual timesheets that were electronically submitted to the Boards' administrative office for processing in SPS. However, neither the

employee who entered the time in SPS nor the employee who approved the recorded time ensured that the timesheets had been signed by the board members and approved by the board chairperson (or a second board member for the chairperson's timesheet) as required.

Our test of 38 timesheets for one pay period in June 2018 disclosed that 5 of the timesheets were not signed by the applicable board member. In addition, 21 timesheets were not approved by the board chairperson or by a second board member, including 4 of the 5 timesheets not signed by the board members. We reviewed 21 meeting dockets corresponding to the timesheets we tested, which generally supported the time recorded in SPS.

Recommendation 1

We recommend that the Board ensure that work hours recorded in SPS for local board members are supported by timesheets that are signed by the applicable board member and are properly approved.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Property Tax Assessment Appeals Boards for the period beginning November 12, 2015 and ending March 24, 2019. 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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included maintenance of payroll records and appeals case management. We also determined the status of the finding contained in our preceding audit report.

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

purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Department.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Boards' operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). These extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

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.

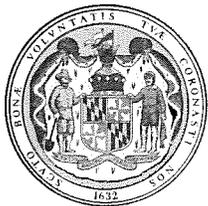
Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Boards' ability to maintain reliable financial records, operate

effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This condition is also a significant instance of noncompliance with applicable laws, rules, or regulations. A less significant finding was communicated to the Boards that did not warrant inclusion in this report.

The Boards' response to our finding and recommendation 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 the Boards regarding the results of our review of its response.

APPENDIX



STATE OF MARYLAND
Property Tax Assessment Appeals Board

1 W. Washington Street
Hagerstown, Maryland 21740

Lawrence J. Hogan, Jr.
Governor
Boyd K. Rutherford
Lt. Governor
Kent T. Finkelsen
Administrator
Julie M. Greene
Executive Associate

January 29, 2020

Mr. Gregory A. Hook, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 W. Preston Street
Baltimore, Maryland 21201

Dear Mr. Hook,

PTAAB is in agreement with the conclusions of the recent legislative audit regarding the Property Tax Assessment Appeal Boards for the time period beginning November 12, 2015 and ending March 24, 2018.

The report and its recommendations are sound and PTAAB has already started to implement the reports recommendation.

Within a week, a new Payroll Voucher was implemented for the pay period beginning November 27, 2019. The new voucher will provide the date, time in and out as well as a place for each board member to provide their signature authenticating the time served on the day of hearings. As in the past, the Chairperson will sign authenticating entire pay period. If the Chairperson is not available, the next Board member present or if by happenstance that payroll is required earlier due to Holiday's etc., the Clerk to the Board will sign and authenticate.

Thank you for your help in this matter,

A handwritten signature in black ink, appearing to read "Kent Finkelsen".

Kent Finkelsen
PTAAB Administrator

KTF:jmg



Property Tax Assessment Appeals Boards

Agency Response Form

Payroll

Finding 1
Adequate procedures were not in place to ensure the propriety of work hours recorded in the Statewide Personnel System (SPS) for local board members.

We recommend that the Board ensure that work hours recorded in SPS for local board members are supported by timesheets that are signed by the applicable board member and are properly approved.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	PTAAB has no concerns with factual accuracy.		
Recommendation 1	Agree	Estimated Completion Date:	11/27/2019
Please provide details of corrective action or explain disagreement.	<p>When boards meet, the Chairperson is not always present at the hearings. This is why we have 3 Board Members and an alternate plus 3 extra alternates in the 5 metropolitan areas. This would explain why not all Payroll Vouchers are signed by the Chairperson as they may have been out sick, on vacation or hearings for the last day of payroll may have been cancelled. A Payroll Voucher is for the week, it can be started on one hearing day but the Board Member may not be able to attend the rest of the week therefore are not present to sign weekly voucher. PTAAB proposes to ensure in the future that Payroll Vouchers are signed by the Chairperson, and if not available, the person acting as Chair for the hearing will sign and or the Clerk to the Board. Chairperson Payroll Vouchers will be signed by another present Board Member or the Clerk to the Board. Also, PTAAB has revised their Payroll Vouchers to have board members sign each day that they are present for a hearing to avoid non signed vouchers in the future with the Chair or Acting Chair finalizing the weekly Payroll Voucher prior to submission to headquarters.</p>		

AUDIT TEAM

Adam J. Westover, CPA
Audit Manager

Menachem Katz, CPA
Senior Auditor