



City of Detroit
OFFICE OF THE AUDITOR GENERAL



**Forensic Audit of Citywide Residential
Property Tax Assessments**

**Second Interim Report
Office Of The Assessor Operations**

April 2024



OFFICE OF THE AUDITOR GENERAL
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, MI 48226
☎ 313.224.3101
📠 313.224.4091
www.detroitmi.gov

MEMORANDUM

DATE : April 5, 2024

TO : Honorable City Council
Mayor Michael E. Duggan

FROM: Laura Goodspeed, CPA *LG*
Auditor General

RE : Forensic Audit of Citywide Residential Property Tax Assessments
Second Interim Report - Office Of The Assessor Operations

C : Alvin Horhn, Deputy Chief Financial Officer/Assessor, Office of the Chief
Financial Officer, Office of the Assessor
Charles Ericson, Assessor, Office of the Chief Financial Officer,
Office of the Assessor
Stefanie O'Neal, Assessor, Office of the Chief Financial Officer,
Office of the Assessor
Colin Handzinski, Management Analyst, Office of the Chief Financial Officer
John Naglick, Chief Deputy Chief Financial Officer/Finance Director,
Office of the Chief Financial Officer
Jay Rising, Chief Financial Officer, Office of the Chief Financial Officer
Raymond Roth III, Director, Stout Risius Ross, LLC

Attached for your review is our second report in conjunction with our Forensic Audit of Citywide Residential Property Tax Assessments. This report focuses on the Office of the Chief Financial Officer, Office of the Assessor's Operations. This report contains our audit purpose, scope, objectives, methodology, and conclusions; background; status of prior audit findings; our findings and recommendations; a note of concern; a noteworthy accomplishment; and the response from the Office of the Chief Financial Officer, Office of the Assessor.

We would like to thank the employees of the organization named above for their cooperation and assistance extended to us during this audit.

Copies of all the Office of the Auditor General reports can be found on the City's Website: <https://www.detroitmi.gov/government/auditor-general>.

OFFICE OF THE
AUDITOR GENERAL

**FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
APRIL 2024**

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE OVERVIEW, KEY FINDINGS AND RECOMMENDATIONS	1
BACKGROUND	4
STATUS OF PRIOR AUDIT FINDINGS	6
AUDIT FINDINGS AND RECOMMENDATIONS	
1. There Is A Lack Of Evidence Of Compliance With The Legal Requirement To Inspect Twenty Percent Of Residential Properties Annually	10
2. There Are Various Indicators Of Vacancy And There Are Inconsistencies And Contradictions Between The Various Indicators Of Vacant Property	13
3. There Is A Lack Of Operational Efficiency When Using The City’s Computer Assisted Mass Appraisal Data System	18
4. There Is A Lack Of A Conflict-of-Interest and Ethics Policies Unique Assessing Activities	21
5. Did Not Fully Comply With Record Retention, Policies, Procedures And State Laws	24
NOTES OF CONCERN	
1. Did Not Comply With The Michigan State Tax Commission Computer Assisted Mass Appraisal Data Standards For The Correct Listing Of Attributes Of Residential Parcels	28
2. Key Performance Metrics Tracking and Reporting	29
NOTEWORTHY ACCOMPLISHMENT	31
APPENDICES: SUPPLEMENTAL INFORMATION	
APPENDIX A Audit Purpose, Scope, Objectives, and Methodology	33
APPENDIX B Generally Accepted Governmental Auditing Standards For Performance Audits	35
APPENDIX C Vacant Land Study, May 2023 (Stout Risius Ross, LLC)	39
APPENDIX D Code Of Ethics/Conflict Of Interest Policy Example	41
ATTACHMENT A: AGENCY/DEPARTMENT RESPONSE	

EXECUTIVE OVERVIEW KEY FINDINGS AND RECOMMENDATIONS

The Office of the Auditor General was requested by the Detroit City Council in February 2020 to conduct an “Evaluation of Residential Property Tax Assessments in the City of Detroit.”

A key component of an internal audit is not only to meet specific objectives as requested by the governing body, but also to determine if the operations are effective and efficient. According to the Government Accountability Office (GAO), “the concept of accountability for use of public resources and government authority is key to our nation’s governing processes.¹” Generally Accepted Government Auditing Standards (GAGAS) state that:²

Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. GAGAS engagements provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the engagement.

In June 2022, we published the “City of Detroit Limited Scope Forensic Audit of Residential Property Assessment Interim Report Of Raymond A. Roth III, CPA, CFE”, the first report relating to the audit and conducted by our auditing partner, Stout Risius Ross, LLC (Stout.)³

Stout was hired to perform an independent, comprehensive, and forensic analysis of residential property assessments, as well as a review of internal controls, from January 1, 2010, through December 31, 2016. Stout’s analysis included the review of available parcel documentation, residential parcels, and internal controls. The initial scope is referred to as the “Pre-Appraisal Period.” The scope of Stout’s analysis was subsequently expanded to January 1, 2017, through December 31, 2020, and is referred to as the “Post-Appraisal Period.”

It should be noted that prior to 2017, the Office of the Assessor had gone sixty years without completing a comprehensive reappraisal of residential properties in Detroit. And as noted in prior audit findings, for residential properties, the average number of years since the last recorded site visits was thirty (30) years.

¹ GAO, [GAGAS Performance Audits: Discussion of Concepts to Consider When Auditing Public Functions and Services \(gao.gov\)](https://www.gao.gov/), GAGAS Paragraph 1.02.

² GAO, Government Auditing Standards: 2018 Revision, GAO-18-568G, Chapter 1: Foundation and Principles for the Use and Application of Government Auditing Standards 1.05

³ Stout’s full report “City of Detroit Limited Scope Forensic Audit of Residential Property Assessments of Raymond A. Roth III, CPA, CFE” can be found on the Office of the Auditor General website at: <https://www.detroitmi.gov/government/auditor-general/>.

This is our second audit report which focuses on the Office of the Chief Financial Officer, Office of the Assessor’s Operations during the Post-Appraisal period relating to assessing activities. This report also includes a follow-up on prior audit findings previously published in our audit report “The Office of The Auditor General Performance Audit of Finance Department Assessments Division (July 2008 – June 2011.)”⁴ This report is the result of work performed primarily by the Office of the Auditor General (OAG) staff, along with specialized work performed by Stout.

Summary of Findings And Key Recommendations

No evidence of compliance with the 20% annual inspection of residential properties.

- Analyze the annual residential parcel inspections.
- Implement an appropriate staffing model to achieve results.

Inconsistencies and contradictions between the various indicators of vacant property.

- Identify the City’s single indicator of vacancy .
- Conduct a vacant land study.

A lack of operational efficiency when using the City’s computer assisted mass appraisal data system.

- Perform a study to determine the health of the current system.
- Conduct a feasibility study for a new assessing system.

There is A lack of A conflict-of-interest and ethics policies unique to assessing activities.

- Create Conflict of Interest and Code of Ethics Policies unique to the City of Detroit’s assessing activities.

Did not fully comply with record retention, policies, procedures, and state laws.

- Comply with all local and state laws pertaining to the record retention.
- Preserve a record of all certified values.

In July 2020, the City approved Ordinance 2020-28, requiring an appraisal of residential property every five years, beginning January 1, 2025. However, we found a lack of evidentiary compliance with the City appraising twenty percent of residential properties annually and we hope that additional recommendations included in this report are valuable to the Office of the Assessor as they work toward full compliance with the Ordinance.

⁴ : Office of the Auditor General Performance Audit of the Finance Department Assessments Division (July 2008 – June 2011), <https://www.detroitmi.gov/government/auditor-general>.

The Office of the Assessor’s major operating program and services include locating, identifying, and valuing all real and tangible personal property in the city of Detroit for the purpose of levying property taxes. Of particular concern is our finding related to the inconsistencies and contradictions between the various indicators of vacant property. Both OAG and Stout found that there are various “indicators of vacancy” within the City’s property database. For some properties we reviewed, we found that the various indicators contradict each other, and we could not determine if the property was vacant or not.⁵ The contradiction among the indicators brings into question the accuracy and reliability of a property and its vacancy status.

We believe that the correct classification of a property’s status with respect to its vacancy attribute is critical to accurate property tax assessments and the success of the Detroit’s Land Value Tax Plan⁶ if implemented.

Also included are “**Notes of Concern**” regarding the Office of the Assessor’s not fully complying with Michigan State Tax Commission’s requirements to update attributes of residential parcels to its latest standards and the lack of sufficient key performance metrics.

We commend the Assessors for improving their operations by replacing a manual method of distributing and processing bi-monthly updates from the Michigan State Tax Commission with a “cloud-based” distribution method. This was an operational deficiency we observed during the audit, that was resolved during the audit and is discussed further in the “**Noteworthy Accomplishment**” section in this report.

Finally, we thank the Office of the Assessor for their departmental responses to our recommendations, and for the development and implementation of their action plan as described in “**Attachment A: Departmental Responses**” in this report.

⁵ For purposes of this audit a property is classified as “vacant” if it does not have a building or structure on the land.

⁶ “The Land Value Tax Plan”, City of Detroit, <https://detroitmi.gov/departments/office-chief-financial-officer/land-value-tax-plan>

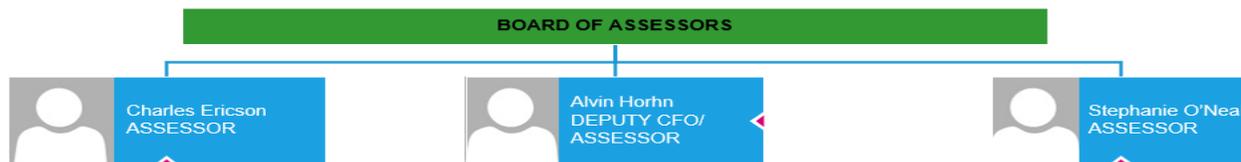
BACKGROUND

The City of Detroit's Office of the Assessor is a division within the Office of the Chief Financial Officer (OCFO) that oversees the appraisal and assessment of approximately 400,000 parcels located in the City. As required by the Detroit City Charter, the Office of the Assessor is headed by a three-member Board of Assessors (Board), that consist of a Deputy Chief Financial Officer/Assessor, a Chief Assessor who signs and certifies the assessment roll on or before the date provided by ordinance, and an Assessor whose sole responsibility is to act as the operations/administrator. The Assessors are mandated to prepare the tax roll by spreading property taxes ratably (i.e., made or calculated according to a proportionate rate) on the assessment roll on or before the date provided by ordinance and deliver the tax roll to the Treasurer in the manner provided by law.

Prior to the City's bankruptcy, the office was known as the "Finance Department Assessments Division." In September 2014, the Emergency Manager, Kevyn Orr issued Emergency Order #41: Order Establishing Centralized Financial Management Organizational Structure. The Order established the "Office of the Assessor" (formerly the Assessments Division) in the OCFO.

The mission of the Office of the Assessor is to discover, list and value at current market conditions all real and tangible personal property in the City of Detroit for the purposes of levying the tax lawfully imposed and to warrant said levy to the Treasurer of the City of Detroit for collection.

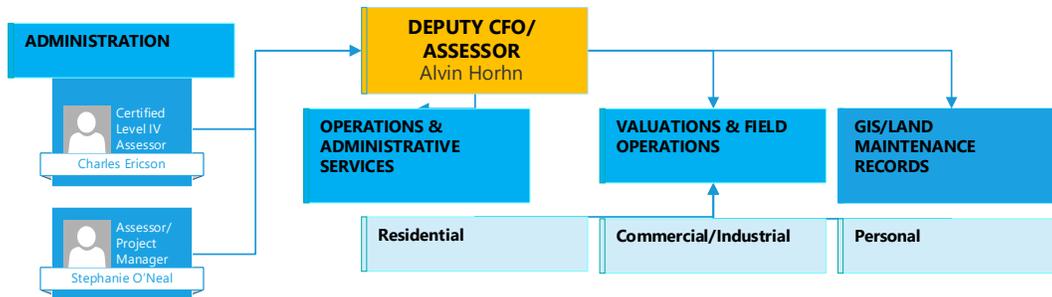
The Mayor appoints the members of the Board of Assessors and may remove a member for cause. Each member must possess the qualifications required by law for assessing officers. The term of membership on the Board is three years. One Assessor's term expires each year. A majority of the Board may review and correct any assessment made by an employee of the Office of the Assessor.



Mr. Alvin Horhn was appointed as the Deputy Chief Financial Officer in June 2015, and heads the four sections within OA:

1. Administration
2. GIS/Land Records Maintenance
3. Operations and Administrative Services
4. Valuations & Field Operations.

As of the date of this report, according to Mr. Horhn, there are seven people that report directly to him, and with a total of sixty employees (fifty-five full-time and five contractual employees.) The following chart represents OA’s organizational structure:



Our audit focuses on performance operations of assessing activities for residential properties.

Overview of Certifying The City’s Property Tax Rolls

According to Michigan Compiled Law (MCL) 211.10d, the annual assessment of property shall be made by an assessor who has been certified as a Level IV, as qualified by the Michigan State Tax Commission (STC) that will enable the individual to properly discharge the functions of the office. An assessing district that does not have an assessor qualified by certification may employ an assessor that is qualified. If the district does not have a certified assessor, the assessment shall be made by the county tax or equalization department or the STC and the cost of preparing the rolls shall be charged to the assessing district.

From 2017 to 2018, the City Michigan State Tax Commission (STC) ordered the Wayne County Equalization director, Scott Vandermarkle, to sign the City’s assessment tax roll. The STC was notified that the City did not have an assessor of record who was able to sign the 2017 assessment roll. On March 1, 2017, the City requested the STC enter an order directing Wayne County to certify the City’s 2017 assessment roll pursuant to the STC’s statutory authority. On March 3, 2017, the STC issued an official order, the contract term between the City and Wayne County Equalization was from June 1, 2017, through June 30, 2018. The City agreed to pay the County for services at the rate of \$162.00/hour, the maximum amount not to exceed one hundred thousand (\$100,000) dollars.

From 2019 to present, Charles Ericson, Chief Assessor, OCFO, Office of the Assessor, certified Level IV Assessor by the Michigan State Tax Commission, maintains responsibility for supervising the preparation of the assessment roll, reviews the valuation process, oversees tax abatement functions, operational projects, and ensures compliance with the General Property Tax Act by certifying the roll on the City’s behalf, and making sure the necessary reports to the County and State are filed.

STATUS OF PRIOR AUDIT FINDINGS

Listed below are the prior audit findings, conditions, and the status of each finding from the Office of the Auditor General’s prior audit report: **“The Performance Audit of the Assessors Division – Plat Book 1”** (July 2008 – June 2011):

Finding #1: Assessing Activities Need To Be More Efficient And Effective And Require Additional Internal Controls.

This finding was partially resolved. The following relevant conditions have not been resolved and is discussed in the finding and page number of this report as noted below:

Relevant Conditions	Finding #	Page
Did not aggressively expand the implementation and use of Pictometry software to assist with valuations, assessments, and conversion efforts.	1	10
Did not programmatically identify exempt organizations in the City of Detroit and correct exempt statuses on the tax roll with the help from regulatory agencies.	1	10
Utilize current functionality in Equalizer (known as BSA/Assessing.Net) to enhance edits and improve reporting of value and changes in the system.	Note of Concern #1	32
Did not comply with State law or its own internal metric to conduct site visits for thirty percent of properties annually.	1	10
Inaccurate or incomplete information and errors in property descriptions and valuations in Equalizer (currently known as BS&A/Assessing.Net).	2	13

Finding #2: Data Management Activities Require More Efficiency Effectiveness, And Additional Internal Controls.

This finding remains unresolved and is not addressed in this report.

Finding #3: The Assessments Division Need To Use Discovery Information More Efficiently And Effectively.

This finding remains unresolved and is not addressed in this report. Some conditions are included in the Status of Prior Audit Findings in the “City of Detroit Limited Scope Forensic Audit of Residential Property Assessments Interim Report” (May 25, 2022) of Raymond A. Roth III, PPA, CFE” detailed below.

Finding #4: The Assessments Division Lacks Sufficient Internal Controls Over Purchases and Does Not Effectively Monitor Contracts.

This finding remains unresolved and is not addressed in this report.

Finding #5: The Assessments Division Did Not Provide or Retain Sufficient Documentation To Support Revenues And Taxes Collected.

This finding is partially resolved. Unresolved conditions are not addressed in this report.

Finding #6: Assessments Division Does Not Adequately Safeguard Public Property and Other Original Records.

This finding is partially resolved. Unresolved conditions are not addressed in this report.

Finding #7: Did Not Fully Comply With Record Retention Policies, Procedures, City And State Laws.

This finding was partially resolved. The following relevant condition has not been resolved and is discussed in the finding and page number of this report as noted below:

Relevant Condition	Finding #	Page
Did not comply with City directives, policies, and procedures, and State Laws regarding retention and archiving of specific property assessment information and some departmental information.	5	24

Finding #8: Improper Accounting for Revenue Contracts

This finding remains unresolved and is not addressed in this report.

Finding #9: Lack of Sufficient Internal Controls Over Capital Assets.

This finding remains unresolved and is not addressed in this report.

Finding #10: Non-compliance with Year-end Closing Procedures.

This finding remains unresolved and is not addressed in this report.

Audit Concerns and Issues

The following is the status of Prior Audit Concerns and Issues:

1. Planning

This item was partially resolved. The following relevant condition has not been resolved and is discussed in the finding and page number of this report as noted below:

Relevant Condition	Finding #	Page
Lacks effective strategic and tactical planning to get them from “where they are” to “where they need to be”:	1	10
	4	21

2. Organizing

This item remains unresolved and is not addressed in this report. Some conditions are included in the Status of Prior Audit Findings in the “City of Detroit Limited Scope Forensic Audit of Residential Property Assessments Interim Report” (May 25, 2022) of Raymond A. Roth III, PPA, CFE” detailed below.

3. Leading

This item has been resolved.

4. Controlling

The item remains unresolved. The following relevant condition is discussed in the finding and page number of this report as noted below:

Relevant Condition	Finding #	Page
Establish and adopt policies unique to the organization’s activities: 1. Code of Conduct 2. Ethics Policy 3. Conflict of Interest Policy	4	21

Listed below are relative unresolved prior audit finding from the: **“City of ‘Detroit Limited Scope Forensic Audit of Residential Property Assessments Interim Report”** (May 25, 2022) of Raymond A. Roth III, PPA, CFE:

Relevant Prior Audit Findings
<p>1. Lacks sub-goals and objectives relating to the processes needed to achieve its overall goals and objectives. The Division should develop more detailed goals and objectives.</p>
<p>2. Lacks formal risks assessments. The Division should create formal risk assessments</p>
<p>3. Policies and procedures lack critical information to be effective. The Division should develop more detailed written policies and procedures.</p>
<p>4. Per parcel assessed values do not reconcile with the certified assessed values submitted to the Michigan State Tax Commission. The Division should preserve documents and information that support certified assessed values</p>
<p>5. Did not provide evidence reviewing 20% of residential parcels annually. The Division should analyze how many parcels are completed through a desktop review, evaluate the appropriateness of a desktop review versus a field review, and conduct an analysis of annual residential parcel review.</p>
<p>6. Lacks performing analyses of assessment-to-sales ratios. The Division should Review key metrics and ratios used by the Division.</p>
<p>7. Lacks knowing true representation of vacant land. The Division should conduct an audit of vacant land confirming that all parcels remain vacant to improve the overall accuracy of the Office of the Assessor’s records and identify updates needed to its processes.</p>

AUDIT FINDINGS AND RECOMMENDATIONS

Finding #1: There Is A Lack Of Evidence Of Compliance With The Legal Requirement To Inspect Twenty Percent Of Residential Properties Annually.

The Office of the Assessor did not provide evidence that they complied with the State of Michigan requirements to inspect twenty percent (20%) of residential properties annually.

Conditions

- A. The Office of the Assessor did not provide evidence that they complied with the State of Michigan requirements to inspect twenty percent (20%) of residential properties annually. According to State law this falls short of performing the required number of reviews, which includes both desktop and field reviews:
 - A desktop review is an inspection of the property from an office, using computer software, analyzing pictures, and/or verifying data electronically. The Office of the Assessor prefers desktop reviews, as it helps to increase productivity considering staffing shortages.
 - Field reviews refer to when appraisers physically go out on site to see the condition of the property. In some cases, houses are too difficult to appraise using the desktop review method and, in these cases, a field review is required to support the appraisal.
- B. The Assessors stated that “per parcel reports” were available which would provide substantial evidence of appraising twenty percent of residential properties annually. We requested the reports on several occasions, but we were not provided with the documentation.
- C. The Office of the Assessor does not have a documented plan that provides for consistent inspection of all properties within the local unit over a specified period.

In February 2022, the Office of the Assessor’s established “Key Performance Metrics” designed to track all activity of the appraisers and support their efforts to comply with the annual appraisal requirements. Even though the metrics were implemented after our audit scope period, we felt it was important to review the new process. The result of our review is presented in the “**Notes of Concern**” on pages 28 and 29 of this report.

Criteria

- A. The Office of the Chief Financial Officer, the Officer of the Assessor
The Office of the Assessor's management stated, "The Detroit City Council Amendment require them to specifically look at twenty percent of the residential houses in Detroit." This includes both desktop and/or physical site reviews.
- B. Michigan State Tax Commission, Michigan Assessors Manual Volume III, Published February 2018
Michigan Assessors Manual states (in part) the following:
1. **Measuring and Listing** – Appraising any property requires firsthand information from an inspection of the property. All three approaches (desktop reviews, field reviews, or both) require accurate and up-to-date descriptive records.
 2. **On-site Inspections** – Are mandatory. Prior to beginning any inspection, assessing officers must review Bulletin 2 of 2014, which provides critical information and guidelines that assessing officers **must** follow when conducting property inspections.
- C. Michigan State Tax Commission, Property Inspection, Bulletin 2 of 2014, February 10, 2014
Property Inspection, Bulletin 2 of 2014, is a guideline by the Michigan State Tax Commission recommending assessors inspect 20% of properties in their local unit annually. Also asserts the primary importance that assessors have a documented plan that provides for inspection of all properties within the local unit over a specified period.

Effects

The lack of compliance with appraising twenty percent of residential properties annually resulted in acts of non-compliance with state and local laws. Additionally, the potential effects of this non-compliance increase the likelihood that:

- Properties are inaccurately assessed resulting in both over- and under-assessed properties.
- More property owners will initiate disputes, appeals, and lawsuits, thereby weakening trust in City governance.

Causes

The Office of the Assessor's management has routinely stated that the lack of compliance is directly attributable to the lack of staff (i.e. – appraisers,) high turnover, and ongoing recruiting and training of new employees.

For the safety of the employees, management has mandated that staff "team up" when performing field reviews. This means that "less [field reviews] are being done" with the same staffing levels. According to management:

There are neighborhoods in the City with houses that are in poor physical condition, especially low value homes, that are too difficult to value using the desktop review because the appraiser cannot see the decline of the property and requires someone to physically go onsite to view the condition of the property to reduce the risk of overassessment. There is not enough staff to physically go out on site to perform field reviews, and the workload is too large to maintain with the number of staff we have.” At maximum, a two-appraiser team can [inspect or] appraise between six to ten properties per day.

Management also stated, that “they have never met the twenty percent review [inspection] of properties annually” and that, “77% of residential inspections are completed using desktop review, and they are required by law to physically visit 20% of residential properties in Detroit.”

Recommendations

We recommend the Office of the Assessor comply with state and local laws by appraising twenty percent (20%) of residential properties annually. This should include:

- A. Perform an analysis of annual residential parcel inspections. Completing this analysis and understanding how many parcels are completed through desktop reviews will help the Office of the Assessor to better determine its staffing needs in line with the State Tax Commission (STC) guidelines. In addition, they can also review the appropriateness of desktop reviews versus field reviews depending on the types of properties and locations needing inspection⁷.
- B. Develop and implement an appropriate staffing model. The model should reflect workload, training, standard operating procedures, goals, and performance targets for residential appraisers.
- C. Develop more detailed sub-goals, objectives, processes, and procedures that are needed to achieve its overall goal and objectives, which is to accurately value properties within STC mandated timeframes⁸.

⁷ Repeat Recommendation from the “City of Detroit Limited Scope Forensic Audit of Residential Property Assessment Interim Report (May 25, 2022) of Raymond A. Roth III, CPA, CFE”, <https://www.detroitmi.gov/government/auditor-general>.

⁸ Ibid.

Finding #2: There Are Various Indicators of Vacancy And There Are Inconsistencies and Contradictions Between the Various Indicators of Vacant Property.

There are various “indicators of vacancy” within the City’s property database. OAG and Stout both found that there are inconsistencies and contradictions between the various indicators of vacancy for a given property which makes it difficult, if not impossible, to determine whether a property is in fact vacant or not.

Background

We conducted an analysis on a random sample of 78 residential parcels that were coded as vacant on the City’s assessment roll. Our analysis included reviewing several data fields the assessors use to indicate if a property is vacant or not. For purposes of this audit a property is classified as “vacant” if it does not have a building or structure on the land.

There are several distinct data fields (or attributes) in the City’s Computer Assisted Mass Appraisal (CAMA) data system, also known as “BS&A Assessing.Net”, that indicate if a property is vacant or not. OAG looked at the following fields during its review:

1. Property Classification Codes

- **Code 401** indicates that the property is residential and improved, meaning that there is a building or structure of some type on the property.
- **Code 402** indicates that the property is residential in nature and vacant, without any type of structure on the property.

2. Building Value Details

- If the **building value equals \$0**, there is no structure, and the property is vacant.
- If the building value is greater than \$0, the property is not vacant.

3. Attachment

The **picture** of the property visually shows whether there is a structure (i.e., building, house, apartment, duplex, etc.) or whether the property is vacant (i.e. – no visible structure.)

4. Use Codes

- **Code 00003** is Vacant Residential.
- **Code VAC** is Vacant Residential.
- Vacant Land Code
Vacant parcels were identified through the data field “**ParcelMaster_Vacant,**” coded as zero (0) on the Assessment Roll.

Stout reviewed the following indicators of vacant property data fields:

6. **ParcelMaster_resb_floorarea**, which is the square footage of structures on the property, expected value equal zero.
7. **ParcelMaster_resb_numresb**, which is the number of structures on the property, expected value equal zero.
8. **ParcelMaster_resb_yearbuilt**, which is the year in which a structure was built, expected value equal zero.
9. **ParcelMaster_resb_style**, which is the type of structure built, expected value equal zero.

In addition, two other software tools are used to assist in determining if a property is vacant or not:

- Pictometry
Pictometry is a tool that utilizes aerial imagery that is overlaid on top of parcel boundaries and allows assessors to complete desktop reviews of properties. It provides a visual picture of whether the property is vacant or if it has a structure.
- Google Maps
Google Maps is a web-based mapping platform and consumer application owned by Google, Incorporated. It offers satellite imagery, aerial photography, street maps, interactive panoramic views of streets, and properties to provide a visual indicator of whether the property is vacant or if it has a structure.

Conditions

We reviewed seventy-eight (78) residential properties and found inconsistencies and contradictions between the various indicators/attributes as shown in the table below:

Inconsistencies Among The Indicators/Attributes Of Vacant Property							
Property Status	CAMA System/Assessing.Net Vacant/Structure Indicators				Other Vacant/Structure Indicators		
	Property Classification Codes	Building Value	Attached Picture	Use Codes	Vacant Land Codes	Pictometry	Google Maps
Vacant	21	22	14	20	23	20	17
Structure	57	56	61	58	55	58	61
No Indication	0	0	3	0	0	0	0
Total	78	78	78	78	78	78	78
% Of Vacant Properties	26.9%	28.2%	17.9%	25.6%	29.5%	25.6%	21.8%
% Of Properties With A Structure	73.1%	71.8%	78.2%	74.4%	70.5%	74.4%	78.2%
% Of Properties With No Indication	0.0%	0.0%	3.9%	0.0%	0.0%	0.0%	0.0%

A. Vacant Properties

Based on the Property Classification, there were 21 (or 26.9%) parcels coded as vacant. However, the number of properties represented as vacant by the other indicators/attributes ranged from a low of 14 to a high of 23 properties.

B. Properties with Structures

Based on the Property Classification, 57 (or 73.1%) of the parcels were coded as having a structure. However, the number of properties represented as having a structure by the other indicators/attributes ranged from a low of 55 to a high of 61 properties.

Stout Risius Ross Vacant Land Study (May 2023) Conditions

At our request, our audit partner, Stout, conducted an independent vacant land study. Based on a random sample of 68 parcels on the City's 2020 Assessment Roll, their analysis identified:

- 16 parcels (or 24%) were recorded as vacant but were not vacant using Google Maps,
- 12 parcels (or 18%) were recorded as vacant but were not vacant using the Office of Assessor's Pictometry database.

(See "**APPENDIX C: Vacant Land Study, May 2023**" on page 39 of this report for details of Stout's analysis.)

Criteria

A. Michigan State Tax Commission, David Buick, Executive Director.

The Property Classification Code is the single distinction for vacancy, which is the standard that should be set for each parcel.

B. Michigan State Tax Commission Recommended Classification Codes, adopted April 9, 2018, implemented December 14, 2021.

Property Classification Code 402, Description is Residential Vacant.

C. Michigan.gov Frequently Asked Questions (FAQ)

What is property classification? Classification 402 indicates that the property is residential in nature and vacant, without any type of structure on the property. All vacant land shows a 402 classification.

Effects

The Office of the Assessor's failure to establish and use one definitive indicator of vacancy leads to a less accurate database, improper assessments, over or under taxation, and inaccurate reporting. It causes confusion for investors, residents, and any other persons looking to buy or develop property in the City. The accurate status of vacant property will be critical to accurate property tax assessments and the success of Detroit's Land Value Tax Plan if implemented.

Causes

OA's management stated they were currently working on updating, mapping, and programming their property records database so they would be compliant with Michigan State Tax Commission (STC) CAMA data standards. Staff stated the usage of various indicators of vacancy is dictated by various reasons such as:

- Properties owned by the Detroit Landbank Authority that are deemed unsound may have a building but may be coded as vacant or vice-versus. These properties are listed as "exempt" (from taxes) and have zero value in the database, therefore the assessors "don't worry" about the property being listed as vacant or not.
- A property might have two parcel numbers associated with it, such as a house with a garage. To avoid overassessment and make it exempt from taxes the assessors will identify the garage as residential vacant when in fact it has a structure on it.

According to the Michigan STC's Executive Director/Property Services Division Administrator, there isn't much control the STC has over which data fields local assessing offices use other than the CAMA data standards. The Director noted that since there are so many different data fields within BS&A, oftentimes "certain fields must be used and filled in" to get the application to work properly. While they are reviewing all the BS&A Use Codes to establish a standard use for them, currently each local unit is responsible for their own database.

Auditors Note: We address the adherence to the CAMA data standards in our **"Notes of Concern #1: Did Not Comply with the Michigan State Tax Commission Computer Assisted Mass Appraisal Data System Standards for the Correct Listing of Attributes of Residential Parcels"** on page 28 of this report.

Recommendations

We recommend that the Office of the Assessor:

- A. Conduct a Vacant Land Sample. The City's property records include over 122,000 parcels identified as vacant land, which increased by more than 45,000 (60% increase) following the Reappraisal. Although it is widely recognized that the City contains numerous vacant parcels, an audit of all vacant parcels will improve the overall accuracy of the property records. The study may identify areas for improvement to its processes to help maintain accuracy going forward⁹.

⁹ Repeat Recommendation from the "City of Detroit Limited Scope Forensic Audit of Residential Property Assessment Interim Report (May 25, 2022) of Raymond A. Roth III, CPA, CFE", <https://www.detroitmi.gov/government/auditor-general>.

- B. Identify the City's single indicator of vacancy and release information to the public (residents, investors, etc.). If this is not feasible, develop and release detailed information on how to interpret the various data fields and indicators of vacancy.
- C. Establish appropriate transaction edits in Equalizer/BS&A/Assessng.Net and implement line-level managerial or supervisor reviews of property changes. Thresholds should be low enough to provide reasonable assurance of accurate assessments and updates but should not stifle productivity.¹⁰
- D. Provide [develop] transaction exception reports to managers or supervisors so they can review the accuracy of work done by their subordinates.¹¹
- E. Establish an action plan and timeline to make immediate corrections to parcels that have conflicting indicators of vacancy.

¹⁰ Repeat Recommendation from the "Office of the Auditor General Performance Audit of the Finance Department Assessments Division (July 2008 – June 2011)".

<https://www.detroitmi.gov/government/auditor-general>.

¹¹ Ibid.

Finding #3: There Is A Lack Of Operational Efficiency When Using The City’s Computer Assisted Mass Appraisal Data System.

There is a lack of operational efficiency for employees who access and use the Office of the Assessor’s Computer Assisted Mass Appraisal (CAMA) data system, also known as BS&A/ Assessing.Net. This is evidenced by significant downtime and disruptions when employees access and use the property database.

The CAMA data system, BS&A Assessing.Net, is old, antiquated, and the limitations and inflexibility of this application form a strong obstacle to developing efficiencies and improving operations.

Conditions

A. The current version of BS&A/Assessing.Net is not cloud based nor can it be accessed directly through the internet.

The database requires a secure network that can only be accessed by using the City’s Virtual Private Network (VPN):

- Oftentimes users experience internet connection issues, and they are unable to access the database.
- We requested information on system logs (i.e., service call history logs), administrative reports, and information on user “downtime” using BS&A Assessing.Net, from both the Office of the Assessor, and the Department of Information Technology (DoIT), however none of the information was provided to us.
- Based on our independent review of the Office of Assessor February 2022 to December 2022 “Residential Appraisers by District Overview”, we noted that the appraisers often documented accessibility and downtime issues with BS&A/Assessing.Net.

B. Creating reports and retrieving data out of the system is not efficient.

Running standard and custom reports is often timely and challenging because data is being “pulled from multiple tables” which sometimes takes several hours or up to a day, during which time the user cannot use or access the database until the processing is completed.

Criteria

Our review of the contracts governing the City’s assessing system revealed that the scope of services does not include a language that addresses downtime:

- BS&A Professional Services Contract between City of Detroit, Michigan and Frohm & Widmer – 2018-2019
Scope of Services - Database access, the contractor will have access to the CAMA data system to obtain available information to perform responsibilities.

- BS&A Professional Services Contract between City of Detroit, Michigan, and Bellefeuil Szur & Associates – 2018-2021
Scope of Services to be performed include maintenance of residential, commercial, industrial, and personal property modules of the BS&A Assessing.Net system, program updates, technical support, software updates and unlimited telephone support.

Effects

The inefficiencies in the City's current assessing system resulted in significant amounts of downtime in which users were not able to access the City's property records database, causing disruptions in workflow, decreased productivity and increased backlogs of assigned tasks. We feel that continued reliance on BS&A/Assessing.Net for assessing activities pose a risk to the efficiency and effectiveness of assessing operations.

Causes

The Assessors stated that there are issues with the database not just in Detroit, but across the state, because "it's a fairly old application, which was first developed around 2001". Approximately ninety-nine percent (99%) of most assessors within the State are using BS&A/Assessing.Net. However, per our conversation with the Executive Director of the State of Michigan State Tax Commission (STC), they would like the City to explore "other options" that could then be approved by them. It was mentioned that they would "welcome a new assessing system," as they feel BS&A/Assessing.Net is old, lacks competition, and there isn't a real push to update the software.

A staff member with the City of Detroit's Department of Information Technology stated that "oftentimes users have internet connection issues which makes the City's Virtual Private Network run slow, lag and/or go down" leaving users without access to BS&A/Assessing.Net.

Recommendations

We recommend the Office of the Assessor:

- A. Perform a "Data Observability" Study
"Data Observability" is an organization's ability to fully understand the health of the data in their systems. Data Observability eliminates data downtime by applying best practices such as using automated monitoring, automated root cause analysis, data lineage, and data health insights to detect, resolve, and prevent data anomalies. This leads to healthier pipelines, more productive teams, better data management, etc.

The five key pillars of Data Observability are:

1. Freshness – Are the tables updated at the right time?
2. Volume – Do you have too many or too few rows?
3. Distribution – Is the value within a normal range?

4. Schema – Has the organization of the data changed?
5. Lineage – How are data assets connected across your data stack upstream and downstream?

B. Conduct a Feasibility Study

Conduct a feasibility study to explore the merits and costs of a project to invest in a new Computer Assisted Mass Appraisal Data system that is cloud-based and that meets all Michigan STC standards. A feasibility study will provide an independent assessment that examines all aspects of the proposed project, including technical, economic, financial, legal, and environmental considerations.

Finding #4: There Is A Lack Of A Conflict-of-Interest and Ethics Policies Unique To Assessing Activities.

The Office of the Assessor does not have a Conflict-of-Interest Policy nor an Ethics Policy unique to its assessing activities.

Criteria

- A. The International Association of Assessing Officers (IAAO), 7.1
The standard states that, “The standards of practice may incorporate or be contained in laws, regulations, policy memoranda, procedural manuals, appraisal manuals and schedules, standard treatises on property appraisal and taxation. Written standards of practice should address areas such as personal conduct, collection of property data, coding of information for data processing. The amount of detail will vary with the nature of the operation and the size of the office.
- B. The Municipal Stability Board for the State of Michigan
The Standards of Conduct, Conflicts of Interest, and Ethics Policy states, “This Code requires not only the avoidance of misconduct, but also the avoidance of acts or omissions by a Board member that give the appearance of misconduct or impropriety, as well as the obligation to report misconduct. Board members shall not enter into any activity or incur any expense or liability which would compromise the Board's commitment to these high standards.”
- C. Universal Aspects of Planning and Key Management
Activities include setting meaningful objectives, strategies, principles, polices, defining detailed procedures, rules, and standards (norms) for which activity can be measured against.

Effects

The lack of distinct policies unique to the organization increases the risk of unethical behavior, fraud, and misconduct. Without policies that summarize responsibilities, authority, and structure, the opportunity for noncompliance of rules and regulations and biased decisions increases.

The effect of not having an ethics policy unique to assessing activities was documented in our prior audit report (June 2011.) During the prior audit, we reported that an employee in the Office of the Assessor observed unethical behavior occurring over a long period of time but did not report it because they did not “want to be a whistleblower because it may result in [their] unemployment.” Having a clear ethics policy which includes protection for whistleblowers might have prevented the continued misappropriation of the City’s cash revenues.

Causes

The Assessors stated that other than general City policies, they do not have specific Conflict of Interest or Ethics policies. The department relies on staff reporting any possible conflicts. City's policies that are referred to are:

- **The Ethics Ordinance** – Enacted by City Council in 2000, established disclosure requirements and standards of conduct applicable to all City of Detroit Public Servants, ensures that governmental decisions are made in the public's best interest by prohibiting public servants from participating in matters that affect their personal or financial interests.
- **The Outside Employment Policy** –provides that City employees must notify and obtain permission from their department or agency head to begin or continue employment with an outside employer. This would include self-employment where the person solicits work for profit, or if the individual has any ownership or managerial interest in any business.

Recommendations

We recommend that the Office of the Assessor:

- A. Create Conflict of Interest and Code of Ethics Policies unique to the City of Detroit's assessing activities (**See Appendix D: Example of Specific Assessing Policies, Association of Municipal Assessor of New Jersey**" on page 41 of this report for examples of policies unique to assessing activities in the State of New Jersey.)
 1. **Conflict-of-Interest Policy** should include (but not limited) to the following:
 - a. Circumstances or relationships that might affect an assessor's objectivity, or the appearance of objectivity, if selected for the assessment.
 - b. Prohibited activities that include appraisal, real estate listing or selling assignment or other assessment-related activity that could reasonably be construed as being in conflict, or giving the appearance of conflict, with their responsibilities to their jurisdiction, employer, or client.
 - c. Prohibited activities that include appraisal, real estate listing or selling assignment in which they have an unrevealed personal interest or bias, or which they are not qualified to perform.
 - d. Disclosure forms with required signature, which are updated annually.
 - e. Actions taken for violation of policy.

2. Create a **Code of Ethics Policy** to include (but not limited) to the following:
 - a. Prohibiting acceptance of an appraisal assignment for which their compensation, or that of their employer, is contingent upon or influenced by any condition that could impair their objectivity including, but not limited to reporting a predetermined value; the amount of the value estimate; reporting a predetermined opinion, conclusion, or recommendation; any other similar action or result.
 - b. Prohibiting the acceptance of gifts or favors that might infer obligations that are inconsistent with the free and objective exercise of their professional responsibilities.
 - c. Maintaining the integrity of private information and limiting the search or access to data that is only needed to perform official responsibilities; committing to maintain confidentiality of data or information and not revealing information to anyone except as required by law.
 - d. Making available all public records in their custody for review, unless access to such records is specifically limited or prohibited by law, or the information has been obtained on a confidential basis and the law permits such information to be treated confidentially.
 - e. Commitment to inform the public about its rights and responsibilities under the law and the property tax system.
 - f. Reporting without reservation any corrupt, unethical, or inappropriate behavior, or the appearance of such which could affect the integrity of the recognition process.
 - g. A policy or program for “whistleblowers” to protect them from retaliation or adverse actions from employers (through a manager, supervisor, or administrator, etc.)
 - h. Disclosure affidavits to be updated and signed annually.
 - i. Actions taken for violation of policy.

Finding #5: Did Not Fully Comply With Record Retention, Policies, Procedures, And State Laws.

The Office of the Assessor did not fully comply with record retention, policies, procedures, and state laws pertaining to the record retention of assessing documents and they could not provide certain documents required by law.

Background

The following forms (known as “L Forms”) are required by the Michigan State Tax Commission (STC) and relate to the annual submission of the City’s property assessment roll from the Office of the Assessor to the Wayne County Equalization Department.

The Wayne County Assessment and Equalization Division mission and primary duties are to professionally survey, record, compile and report assessment and tax related data pertaining to each city and township within the county. They in turn will submit the complied assessment and valuation information to the State Tax Commission:

FORM NO.	DESCRIPTION	PURPOSE
L-4021	Assessment Roll Changes Worksheet	Used to calculate the change from year to year for each parcel’s assessment
L-4022	Report of Assessment Roll Changes and Classification	Shows the assessed value for the prior year, the current assessed values, and the last, net adjustments, and new by class. The ending value from the previous year should be the same as the starting value for the current year.
L-4023	Analysis for Equalized Valuations	The assessed values calculation establishes recommended county equalized valuations.
L-4024	Personal and Real Property Totals	Statement of acreage and valuation is the official certification of county equalization sent to the STC.
L-4025	Report of Taxable Valuations of Additions and Losses	Used to report the taxable values used in the calculation of the millage rollbacks required by MCL 211.34d (Headlee) and MCL 211.24e (Truth in Taxation).
L-4037	Assessment Roll Certification	Used to report Pre and Post Board of Review assessed values, capped values, and tentative taxable values – Ad Valorem and Special Acts, and CBC assessed value as equalized Ad Valorem.
L-4046	Report of Total Taxable Valuations	Used to report the total Taxable Valuations, broken down by classification, for each township and city within the county.

Conditions

City of Detroit Office of the Assessor

Each form above has prescribed “minimum” retention periods based on state law and the City’s own retention policies. There are eleven forms that comprise the “L-Form” series of annual documents that must be completed and retained by the Office of the Assessor.

We requested copies of all 44 forms (i.e., 11 forms per year for the four years 2017-2020) from the Assessor’s Office. The following table depicts the overall results of our analysis:

City of Detroit Office of the Assessor Document Retention Overview		
Description	Number of Forms Retained	Percentage of Forms Retained
Number of Forms Retained	19	43.2%
Number of Forms Not Retained	25	56.8%
Total Number of Forms Required to Be Retained^(A)	44	100.0%

*Note (A) (Total Number of forms per year) x (Number of Years)
= 11 number of forms per year x 4 years = 44 Total Forms that should have been retained per the retention policies.*

In summary, our analysis revealed that 25 out of 44 documents, or 56.8% of forms required were not retained by the Office of the Assessor in accordance with required record retention policies. They did retain 19 of the 44 documents (or 43.2%) in accordance with the retention policies. None of the following L-form documents were provided for any of the four years as indicated in the 100% non-compliance rate:

1. 4024 - Assessed and Equalized Valuations.
2. 4025 – Report Of Taxable Valuations.
3. 4046 – Report Of Total Taxable Valuations.
4. 4037 - CBC Ad Valorem and Special Acts.

Wayne County Equalization Department

We also reviewed the submission to, and retention of required L-Forms by the Wayne County Equalization Department. The following table presents the results of our review:

Wayne County Equalization Department Document Retention Overview		
Description	Number of Forms Retained	Percentage of Forms Retained
Number of Forms Retained	5	31.3%
Number of Forms Not Retained	11	68.7%
Total Number of Forms Required to Be Retained^(A)	16	100.0%

Note(A): The Wayne County Equalization Record Retention requirements is only for a select number of L-forms with various retention periods (usually three years following creation.) We determined that sixteen forms should have been retained during the audit period.

The Wayne County Equalization Department could not provide 11 out of 16 documents, or 68.7% of the forms they were required to retain as submitted by the Assessor's Office in accordance with the STC's required record retention policies. The Department did provide 5 of the 16 documents (or 31.3%) of the documents they retained in accordance with the retention policies. None of the following L-form documents were provided for the applicable retention period indicated in the 100% non-compliance rate in the table above:

1. 4037 – Pre-March BOR Special Acts.
2. 4025 – Post BOR Special Acts,

it should be noted that we have no jurisdiction over the Wayne County Equalization Department operations. We felt it was important to include the results of our review in this report to show that neither the City nor Wayne County can provide copies of some of these important assessing documents.

Criteria

Record retention for assessing documents is found in the following state laws, and the City of Detroit's policies, procedures:

1. The General Property Tax Act 206 of 1893 (Excerpt) – 211.10e Use of official Assessor's Manual or any Manual Approved by State Tax Commission; Records; Chapter 4: Use of the Michigan Assessor's Manuals Michigan Compiled Law 211.10e.
2. Michigan State Administrative Board Approval General Record Retention and Disposal, Section 3: Assessor, Schedule # 8.
3. The State of Michigan – Records Management Services - General Retention Schedule # 37 County Equalization Departments.
4. The Department of Management and Budget, Division of Assessment and Equalization cited per MLC 399.5 and 750.491, Michigan Retention and Disposal Schedule, Item #300, Equalized Value Finalizing Records.
5. City of Detroit Finance Directive 99 Record Retention Imposed by the State of Michigan Requirements for Retention and Disposal Records.

Effects

The effect of the Office of the Assessor's non-compliance with the applicable retention policies and state laws reduced the City's protection against potential financial, civil, and criminal penalties that increasingly accompany poor data management practices. The City's ability to adhere to the retention policies and provide sufficient (long-term) support for its property assessments and valuations is crucial given the current environment surrounding property taxes and the property tax structure (e.g., the City's alleged overassessments and the proposed Land Value tax structure.)

Causes

The Assessor's Office management stated that their "failure to maintain and preserve the official documents was the result of timing differences between the certification and when the data (L-Forms) was pulled." During the audit and in response to our discussions regarding this finding, management also advised us that beginning with the 2023 tax year, they will archive the active production database at the close of the March, July, and December Board of Reviews. This will provide a mechanism for any questions regarding the "certified numbers" to be referenced against that archived database.

According to an Officer at the Wayne County Division of Assessment and Equalization, it was determined and certified that some of the L-Forms from Detroit (identified above) do not exist at all, due to corrupted files caused by technical malfunctions.

Recommendations

We recommend that Office of the Assessor:

- A. Adhere to and comply with all local and State laws pertaining to the record retention policies and procedures for assessing documentation.
- B. Preserve a record of all values that are certified to the County and State taxing authorities. This should include detailed and adequate support for the assessments and valuations, and a historical file and/or readable database.

NOTES OF CONCERN

The following “Notes of Concern” warrant additional attention from the Office of the Assessor. While not a finding, we present them with the hope that the Office of the Assessor’s will find added value through this observation and address them accordingly.

1. Did Not Comply with the Michigan State Tax Commission Computer Assisted Mass Appraisal Data System Standards for the Correct Listing of Attributes of Residential Parcels.

In December 2021, the Michigan State Tax Commission (STC) released new standards for the data contained in the Computer Assisted Mass Appraisal (CAMA) data system. These data standards are a set of valid values intended to standardize property data across assessing systems in the State of Michigan.

These fields include:

- Property class codes.
- School district codes.
- Sales codes.
- Terms of sale and instrument types.
- Use codes.
- Government unit codes.
- Taxable status codes (i.e. Taxable versus Tax Exempt Codes.)

We compared the attributes of a statistical sample of seventy-eight (78) residential parcels from the 2020 Assessment Roll against the new standards, and found the following:

- 32 parcels (or 41.0%) had one error code.
- 14 parcels (or 17.9%) had more than one error code associated with it.

There were 25 in the sample of residential properties that were classified as “exempt” from property taxes. In the December 2021 release of revised codes, the STC eliminated some codes relating to this class of properties. Our review found that:

- Only 3 parcels (or only 12.0%) of the parcels had been updated to comply with the new standards.
- And 22 (or 88.0%) parcels were not in compliance with the new standards for tax-exempt properties.

The Office of the Assessor’s management represented that were in “Phase Two” of their project of updating the attributes in the City’s property database and that “most of the parcels” were in alignment with the Michigan STC CAMA data standards.

However, our review revealed that many updates had not been completed resulting in numerous “Out of Compliance” error codes remaining in the database.

We are concerned with the slow progress and recommend that the Office of the Assessor assign adequate staffing to the project plan so that updates are completed which will bring the City’s property attributes in full alignment with the standards.

2. Key Performance Metrics Tracking and Reporting

In February 2022, the Office of the Assessor established “Key Performance Metrics” designed to track all activity of the appraisers. They provided the metrics to us and although the metrics were implemented after our audit scope period, we felt it was important to report the results of our review. We hope that our observations will be of value to the Office of the Assessor as they continue to develop this important management tool.

We approached the review of the activity (reported through Smartsheets) focusing on gauging the Office of the Assessor’s progress toward meeting the requirement of appraising twenty percent (20%) of properties annually as discussed in **Finding #1: There Is A Lack Of Evidence Of Compliance With The Legal Requirement To Inspect Twenty Percent Of Residential Properties Annually** on page 10 of this report.

The following is an overview of activity derived from the records provided for the period February 1, 2022 to December 22, 2022. The table depicts the activities of the eight (8) residential appraisers, by their City District assignments:

Residential Appraisers By District Overview Of Completed Work From February 2022 - December 2022								
District	Desktop Reviews	Field Reviews	Permits	MTT's	Record Updates/ BOR Entries	Customer Service Calls/Emails Answered	NEZ's Processed	Total Daily Work Completed
Condos	1,858	710	0	26	3,615	236	0	6,445
District 1	1,657	602	5	0	557	410	55	3,286
District 2	414	563	0	14	384	28	0	1,403
District 3	2,489	696	0	0	472	0	93	3,750
District 4	0	142	0	0	2	0	0	144
District 6	430	550	0	0	0	0	0	980
District 7 #1	1,543	123	0	7	12	34	373	2,092
District 7 #2	1,789	430	0	2	0	0	137	2,358
GRAND TOTAL	10,180	3,816	5	49	5,042	708	658	20,458

Based on the data, there were a total of 13,996 inspections of residential properties:

Type of Inspection	Number of Reviews Completed
Desktop	10,180
Field	3,816
Total Residential Inspections	13,996

According to the Office of the Assessor management, there are approximately 223,000 residential properties in the City. As detailed in the table below, for eleven months in 2022, only 6.3% of the residential properties had been inspected, either by a desktop or field review:

Type of Review	Number of Residential Parcels	Actual Percentage of Properties Reviewed
Total Number of Residential Properties in the City of Detroit	223,000	
Number of Reviews Needed to Meet the Annual 20% Requirement	44,600	Target 20%
Total Residential Reviews	13,996	Actual 6.3%

We also observed that the Smartsheet reporting tool and key performance metrics are lacking in and do not capture or include vital information such as:

- Listing the target/required number of inspections (desktop and field reviews) that should be completed by the residential appraisers (i.e., timebound goals, either daily, weekly, and/or monthly goals.)
- Clear indications that show how well each appraiser is performing against their target goals.
- Identifying information/comments relative to the appraiser’s actual work performed. In some cases, the field reviews did not have supporting documentation, and comments did not detail specifics about the field review such as the conditions found, property type, address corrections, etc.

We commend the Office of the Assessor for implementing this valuable management tool and recommend that they continue to work to improve the adequacy of their key performance metrics and reports.

NOTEWORTHY ACCOMPLISHMENT

During the audit, we were informed, observed, and experienced the following significant improvements with user accessibility and reduced downtime with the property assessing software, BS&A Assessing.Net.

Background

Prior to accessibility improvements, according to the Office of the Assessor management, an estimated thirty percent (30%) of the staff could not self-install bi-monthly updates released by the Michigan State Tax Commission. Instead, they had to notify the City’s Department of Innovation and Technology (DoIT) and rely on them to manually install the updates on their individual desktop versions of BS&A Assessing.Net. The user could not access the system until updates were installed resulting in significant downtime in the Office of the Assessor:

- A representative of DoIT, stated that “at minimum, two hundred (200) employees are unable to access the database each time the application is updated on the bimonthly basis.”
- We experienced several days of “downtime” when we could not access BS&A Assessing.Net and had to contact DoIT to manually install the bi-monthly updates:

Auditor's DoIT BS&A/Assessing.Net Downtime Overview Opened/Closed Tickets an Over 8-Month Time Period				
No.	OAG	DoIT BSA Opened Ticket	DoIT BSA Closed Ticket	Auditor Downtime Days[^]
1	Auditor 1	5/25/2022	5/25/2022	1
2	Auditor 1	6/6/2022	6/6/2022	1
3	Auditor 2	6/6/2022	6/6/2022	1
4	Auditor 1	6/17/2022	6/24/2022	7
5	Auditor 1	7/5/2022	7/6/2022	2
6	Auditor 2	7/7/2022	7/7/2022	1
7	Auditor 2	8/8/2022	8/8/2022	1
8	Auditor 2	9/21/2022	9/21/2022	1
9	Auditor 2	10/5/2022	10/6/2022	2
10	Auditor 1	10/6/2022	10/7/2022	2
11	Auditor 1	11/1/2022	11/4/2022	3
12	Auditor 2	12/5/2022	12/5/2022	1
13	Auditor 2	12/20/2022	1/5/2022	17

Note (A): For the purpose of the table calculations, tickets that are open and closed on the same day are counted as one day.

New Method Using Microsoft Intune to Distribute Bi-Monthly Updates in BS&A

It should be noted, that in November 2022, DoIT implemented a “push-method” to distribute and install the Michigan State Tax Commission’s bi-monthly updates into the desktops of the BS&A users. Based on our observations, using Microsoft Intune to distribute the bi-monthly updates is efficient and effective and has significantly reduced users’ downtime due to the required updates.

APPENDIX A

Audit Purpose, Scope, Objectives, Approach, And Methodology

Audit Purpose

The “Forensic Audit of Citywide Residential Property Tax Assessments” was performed in accordance with the Office of the Auditor General’s charter mandate to make audits of the financial transactions, performance, and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

Audit Scope

This is a performance audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) 2018 Revision, compiled by the Comptroller General of the United States Government Accountability Office (See “**APPENDIX B: Generally Accepted Government Auditing Standards**” on page 35 of this report for more information on GAGAS.)

The full scope of this audit was from January 1, 2010 – December 31, 2020. However, this Second Interim report focuses on the “Post-Appraisal Period” from January 1, 2017, to December 31, 2020.

Audit Objectives

The audit objectives were to:

- Comply with City Council’s request to conduct a forensic audit of the City of Detroit Residential Property Tax Assessments to include a review of internal controls, and include a report on findings, issues, concerns, and recommendations.
- Identify changes from historical practices that were included in the reassessment that was effective beginning for the 2017 tax year.
- Determine the status of the prior audit findings in Auditor General’s Performance Audit of the Finance Department Assessments Division (July 2008-June 2011.)
- Review and determine whether recommendations made by other independent studies were incorporated into assessing activities.

Audit Methodology

To accomplish our objectives, our audit approach and methodology included:

- Reading relative prior audit reports.
- Reviewing prior audit working papers, the City Charter, Executive Orders, financial reports, budget reports, the City’s Comprehensive Annual Financial Report, organization charts, Finance Directives, Chief Financial Officer Directives, and any other reports or directives pertinent to Office of the Assessor.

Audit Purpose, Scope, Objectives, Approach, And Methodology

- Gathering policies and procedures of core operations and other similar data.
- Conducting audit-planning meetings to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding transactions, processes and procedures, controls, functions, records, and personnel.
- Interviewing relevant personnel of entities directly involved in the Office of the Assessor’s affairs and other relevant City personnel.
- Observing, documenting, and testing of relevant processes, procedures, contracts, and agreements.
- Conducting any necessary additional testing and completing any other audit steps necessary to draw conclusions to the relevant objectives.
- Developing recommendations for all findings.

Note: See “**APPENDIX B: Generally Accepted Government Auditing Standards**”¹² for more information on Fieldwork, Developing Findings, Reporting Conclusions and Recommendations in a Performance Audit on page 35 of this report.

¹² Generally Accepted Government Auditing Standards (GAGAS) 2018 Revision, Compiled by the Comptroller General of the United States Government Accountability Office, <https://www.gao.gov/yellowbook>.

APPENDIX B

Generally Accepted Government Auditing Standards

The following excerpt is related to Generally Accepted Government Auditing Standards as compiled by the United States Government Accountability Office (GAO) for Performance Audits. According to the GAO and GAGAS¹³:

§1.21: Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, improving program performance and operations, reducing costs, facilitating decision making by parties responsible for overseeing or initiating corrective actions, and contributing to public accountability.

§1.22 Performance audit objectives vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. Audit objectives may also pertain to the current status or condition of a program. These overall objectives are not mutually exclusive. For example, a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating the program's internal controls. Key categories of performance audit objectives include the following:

- a. Program effectiveness and results audit objectives. These are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.
- b. Internal control audit objectives. These relate to an assessment of one or more aspects of an entity's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- c. Compliance audit objectives. These relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, or grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.

¹³ Government Auditing Standards (Yellow Book) 2018 Revision; www.gao.gov/yellowbook.

APPENDIX B
Generally Accepted Government Auditing Standards

- d. Prospective analysis audit objectives. These provide analysis or conclusions about information that is based on assumptions about events that may occur in the future, along with possible actions that the entity may take in response to future events.

There are four “Elements of a Finding” in a Performance Audit. The following excerpt(s) from GAGAS describe how auditors develop Findings:

§8.116 As part of a performance audit, when auditors identify findings, they should plan and perform procedures to develop the **criteria, condition, cause, and effect** of the findings to the extent that these elements are relevant and necessary to achieve the audit objectives.

§8.125 **Condition:** Condition is a situation that exists. The condition is determined and documented during the audit.

§8.124 **Criteria:** To develop findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. The term program includes processes, projects, studies, policies, operations, activities, entities, and functions. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report.

§8.126 **Cause:** The cause is the factor or factors responsible for the difference between the condition and the criteria and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria inconsistent, incomplete, or incorrect implementation, or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria.

§8.127 **Effect** or potential effect: The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, effect is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

APPENDIX B
Generally Accepted Government Auditing Standards

GAGAS, also provides the following “Reporting Standards for Performance Audits”:

§9.27 **Conclusions:** Report conclusions are logical inferences about the program based on the auditors’ findings, not merely a summary of the findings. The strength of the auditors’ conclusions depends on the persuasiveness of the evidence supporting the findings and the soundness of the logic used to formulate the conclusions. Conclusions are more compelling if they lead to the auditors’ recommendations and convince the knowledgeable user of the report that action is necessary.

§9.23 **Recommendations:** When feasible, auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

§9.28 Effective recommendations encourage improvements in the conduct of government programs and operations. Recommendations are effective when they are addressed to parties that have the authority to act and when the recommended actions are specific, feasible, cost effective, and measurable.

§5.84 **Requirement: Peer Review Intervals.** An audit organization not already subject to a peer review requirement should obtain an external peer review at least once every 3 years. The audit organization should obtain its first peer review covering a review period ending no later than 3 years from the date an audit organization begins its first engagement in accordance with GAGAS.

APPENDIX C
Stout Risius Ross, LLC, Vacant Land Study, May 2023

Stout Risius Ross, LLC, Vacant Land Study, May 2023

Stout Risius Ross, LLC conducted a vacant land study based on a random statistical sample of 68 residential parcels from the City’s 2020 Assessment Roll that were coded as “vacant” properties. The sample is statistically significant at a 90% confidence level with a 10% margin of error. That is, the results of this sample analysis are expected to be consistent with a review of all residential parcels within the aforementioned margin of error. The purpose of the study was to determine if properties classified as vacant, were actually vacant properties or not.

Vacant parcels were identified through the data field ParcelMaster_Vacant (coded as 0) in the Office of the Assessor’s 2020 Assessment Roll.

Analysis Results

Stout also reviewed several other data fields for indication of vacant land. The results of the vacant land study are detailed below:

Stout Risius Ross, LLC, Vacant Land Study, May 2023			
Data Field	Description	Expected Value	Actual Values
ParcelMaster_resb_floorarea	square footage of structures on the property.)	= Zero	= Zero
ParcelMaster_resb_numresb	number of structures on a property	= Zero	= Zero
ParcelMaster_resb_yearbuilt	the year in which a structure was built	= Zero	= Zero
ParcelMaster_resb_style	type of structure built	null values (i.e., blank values)	null values (i.e., blank values)
Property Class Description and the Building Assessed Value		Property Class Description = 402 – Residential Vacant” and Building Assessed Value = Zero	<ul style="list-style-type: none"> • Most of the properties were coded as 402 – Residential Vacant. • (3) properties coded as “401-Residential. • The three properties coded as “401 – Residential” all had a building assessed value of more than \$0 as well as one additional property coded as “402 – Residential Vacant” that also had a building assessed value of greater than \$0.

Thus, the Assessment Rolls contain contradictions within itself of how a property can be identified as vacant.

Additional Analysis

Stout conducted a desktop inspection of the properties by using both Google Maps and the Office of the Assessor's aerial imagery maintained through Pictometry to visually inspect whether a structure was present or in fact vacant as recorded in the Assessment Rolls.

In addition, building permit data was downloaded from the City's Open Data portal, to use in conjunction with the visual inspection. Building permit information could indicate new activity such as new construction or renovation of a structure or the demolition of a structure.

This analysis identified 16 parcels (24%) recorded as vacant on the City's 2020 Assessment Roll that were not vacant using Google Maps and 12 parcels (18%) using the Office of Assessor's Pictometry database.

Conclusion

The random sample identified inconsistencies within each parcel of indicators of whether a parcel is vacant. Further, upon desktop inspection of the parcels within the random sample, approximately 18% to 24% of the reviewed parcels recorded as vacant were found to be incorrect.

APPENDIX C

Stout Risius Ross, LLC, Vacant Land Study, May 2023

No.	PARCEL	ADDRESS	PROPERTY CLASS	PROPERTY CLASS DESCRIPTION	ParcelMaster_floorarea	ParcelMaster_resb_numre sb	ParcelMaster_resb_yearbuilt	ParcelMaster_Vacant	P	IMaster_resb_st yle	Assess Year	Google Maps Image Capture Date	GM Verification (Vacant = Y Structure = N)	Pictometry Image Capture Date	Pictometry Verified Vacant (Vacant = Y Structure = N)	Google Maps + Pictometry Agree?
1	17003537.	8111 DUBAY	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
2	9004269.	5351 DUBOIS	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
3	16001288.	4829 MERRITT	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	N	4/12/2022	N	TRUE	
4	21073361.	5503 YORKSHIRE	401	401 - Residential	0	0	0	0	200.00	2020	August 2018	N	4/12/2022	N	TRUE	
5	8004849.	2265 LABELLE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2022	Y	4/12/2022	Y	TRUE	
6	17012221.	5943 TOWNSEND	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	N	4/12/2022	Y	FALSE	
7	21006634.	12277 MAIDEN	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	N	4/12/2022	N	TRUE	
8	22047339-40	12700 WHITCOMB	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2016	Y	4/12/2022	Y	TRUE	
9	1005016.	81 LOUISIANA	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
10	15002539.	7563 LYNCH RD	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
11	17004212.	8184 E MCNICHOLS	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
12	13017886.	13515 HEALY	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
13	21077134.	5982 HEREFORD	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2022	N	4/12/2022	Y	FALSE	
14	20016270.	428 COLONIAL	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	N	4/12/2022	N	TRUE	
15	21076218.	5910 NEFF	402	402 - Residential Vacant	0	0	0	0	0.00	2020	October 2021	Y	4/12/2022	Y	TRUE	
16	22120207.	15341 HAZELTON	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2019	Y	4/12/2022	Y	TRUE	
17	10007000.	3753 17TH ST	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
18	13002077.	3396 SUPERIOR	402	402 - Residential Vacant	0	0	0	0	0.00	2020	Unknown	Y	4/12/2022	Y	TRUE	
19	21048799.	1603 GRAY	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2019	Y	4/12/2022	Y	TRUE	
20	13015002.	17155 BUFFALO	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
21	16012572.	3889 33RD ST	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2019	Y	4/12/2022	Y	TRUE	
22	21049789.	4432 LENOX	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
23	10006160.	5720 16TH ST	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
24	17010204.	3475 VAN DYKE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
25	22111847.	12621 CHAPEL	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
26	22026192.	14537 CHEYENNE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
27	16044067.	20453 PINEHURST	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2022	Y	4/12/2022	Y	TRUE	
28	22104962.001	8026 BRAILE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
29	21009421.	14948 ROSEMARY	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
30	08005120-2	2001 PILGRIM	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
31	22117081.	18203 REDFERN	401	401 - Residential	0	0	0	0	200.00	2020	August 2019	N	4/12/2022	N	TRUE	
32	21039119.001	1475 ST CLAIR	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2022	Y	4/12/2022	Y	TRUE	
33	8008692.	2654 HURDON	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
34	12005934.	15715 WILDEMERE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
35	13004680.	4178 OLIVER	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	N	4/12/2022	Y	FALSE	
36	1005629.	226 W SAVANNAH	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	N	4/12/2022	N	TRUE	
37	21017423-4	15016 MAPLERIDGE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
38	22077024.	[1] 14635 ROSEMONT	401	401 - Residential	0	0	0	0	300.00	2020	November 2020	N	4/12/2022	N	TRUE	
39	10000965.	2735 FERRY PARK	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
40	20001179.	9116 LYON	402	402 - Residential Vacant	0	0	0	0	0.00	2020	November 2020	Y	4/12/2022	Y	TRUE	
41	3002972.	641 WOODLAND	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
42	16033712.	14522 OHIO	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
43	16009999.	1608 FERDINAND	402	402 - Residential Vacant	0	0	0	0	0.00	2020	Unknown	Y	4/12/2022	Y	TRUE	
44	22112254.	18441 BURGESS	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
45	22102511-2	14422 FIELDING	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
46	13002157.	3616 E WILLIS	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2019	N	4/12/2022	N	TRUE	
47	1007524.	968 W LANTZ	402	402 - Residential Vacant	0	0	0	0	300.00	2020	July 2019	Y	4/12/2022	Y	TRUE	
48	8003865.	1984 CORTLAND	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	N	4/12/2022	N	TRUE	
49	1005217.	181 W MONTANA	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2019	Y	4/12/2022	Y	TRUE	
50	22110190.	15331 WESTBROOK	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
51	21022239.	13908 PINWOOD	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
52	16014112.	6069 COLFAX	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	N	4/12/2022	N	TRUE	
53	17001404.	8106 GEORGIA	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
54	16018507.	9956 WOODSIDE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	N	4/12/2022	Y	FALSE	
55	22067650.	12094 MEMORIAL	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
56	16014584.	5703 CAMPBELL	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	N	4/12/2022	N	TRUE	
57	8009920.	15503 INVERNESS	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2022	Y	4/12/2022	Y	TRUE	
58	10001992.	2706 BLAINE	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
59	21066325.	3959 BEACONSFIELD	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
60	21060096.	2174 PHILIP	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
61	21064000.	3673 WAYBURN	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2021	Y	4/12/2022	Y	TRUE	
62	21019204.	14643 SARATOGA	402	402 - Residential Vacant	0	0	0	0	0.00	2020	Unknown	Y	4/12/2022	Y	TRUE	
63	12008140.	4762 23RD ST	402	402 - Residential Vacant	0	0	0	0	0.00	2020	Unknown	Y	4/12/2022	Y	TRUE	
64	15010066.	3950 CANTON	402	402 - Residential Vacant	0	0	0	0	0.00	2020	August 2018	N	4/12/2022	N	TRUE	
65	13014626.	13402 BUFFALO	402	402 - Residential Vacant	0	0	0	0	0.00	2020	June 2019	Y	4/12/2022	Y	TRUE	
66	21053237.	4369 EASTLAWN	402	402 - Residential Vacant	0	0	0	0	0.00	2020	July 2022	Y	4/12/2022	Y	TRUE	
67	21005938.	13035 CAMDEN	402	402 - Residential Vacant	0	0	0	0	0.00	2020	May 2019	Y	4/12/2022	Y	TRUE	
68	21018308.	15505 GLENWOOD	402	402 - Residential Vacant	0	0	0	0	0.00	2020			4/12/2022	Y	TRUE	
69	Total Verified Vacant / Google-Pictometry Agreement												52	56	64	
70	Total Verified Not Vacant / Google-Pictometry Disagreement												16	12	4	
71	% Not Vacant / Google-Pictometry Disagreement												24%	18%	6%	

[1] Building permit issued in May 2019 to make alterations to existing single family dwelling.

APPENDIX D
Example of Specific Assessing Policies
Association of Municipal Assessor of New Jersey

The purpose of the Code of Ethics and Standards of Professional Conduct is to establish ethical and professional guidelines for assessing officers and other members of the Association of Municipal Assessors of New Jersey, and to provide standards by which AMANJ members whose conduct may be in question are judged.

CODE OF ETHICS

Members of the AMANJ shall conduct themselves in a manner that will reflect favorably upon themselves, the assessing profession, the property tax system, and the Association of Municipal Assessors of New Jersey. Members shall avoid any action which may discredit themselves or these entities:

1. PERFORMANCE

Perform their duties in accordance with applicable laws and regulations and apply them uniformly and fairly. Perform all appraisal and other assessment-related assignments to the best of their abilities, and in accordance with the professional standards of the AMANJ.

2. SELF-IMPROVEMENT

Strive to increase knowledge and improve professional skills through continued education.

3. ACCESS TO INFORMATION AND RECORDS

Make available all public records in their custody for review, unless access to such records is specifically limited or prohibited by law, or the information has been obtained on a confidential basis and the law permits such information to be treated confidentially. Attempt to inform the public about its rights and responsibilities under the law and the property tax system.

4. RESPECTFUL ATTITUDE

Maintain an open, courteous, and respectful attitude in their dealings with the public and require the same conduct of their subordinates.

5. PUBLIC OFFICIALS

Cooperate with public officials to improve the efficiency and effectiveness of the property tax system, in particular, and public administration in general.

6. CONDUCT AND PROPRIETY

Conduct their duties and activities in a manner that will reflect credit upon themselves and their profession. Members shall avoid the appearance of impropriety.

7. PROFESSIONAL QUALIFICATIONS

Claim no professional designation unless authorized by the conferring organization, whether the claim be verbal or written, nor claim qualifications that are not factual or may be misleading.

APPENDIX D
Example of Specific Assessing Policies
Association of Municipal Assessor of New Jersey

8. RECOGNITION

Give full credit to the source of any materials quoted or cited in writings or speeches.

9. PROHIBITED ACTIVITIES

Accept no appraisal, real estate listing or selling assignment or other assessment-related activity that could reasonably be construed as being in conflict, or giving the appearance of conflict, with their responsibilities to their jurisdiction, employer, or client. Accept no appraisal, real estate listing or selling assignment in which they have an unrevealed personal interest or bias, or which they are not qualified to perform. It shall be improper for an assessing officer to represent a taxpayer in any manner, in any jurisdiction, concerning the determination of assessments.

10. CONTINGENT COMPENSATION

Accept no appraisal assignment for which their compensation, or that of their employer, is contingent upon or influenced by any condition that could impair their objectivity including, but not limited to, reporting a predetermined value; the amount of the value estimate; reporting a predetermined opinion, conclusion, or recommendation; any other similar action or result.

It is not the purpose of this standard to prohibit the acceptance of all contingency assignments. It does, however, prohibit the acceptance of contingency assignments for the performance of appraisals where a member is required to render an opinion of value or to testify thereto.

11. ADVERTISING AND/OR SOLICITATION

Use no advertising or promotion to solicit assessment-related assignments that are not totally accurate and truthful. Avoid using misleading claims or promises of relief which could lead to loss of confidence in appraisal or assessment professionals by the public.

12. REPORTING UNETHICAL PRACTICES

Report to the Chairperson of the AMANJ Ethics Committee on any unethical practices or other actions by AMANJ members, which could reflect discredit upon the AMANJ, or upon the appraisal or assessment profession.

13. AMANJ AND ITS OFFICIALS

Cooperate fully with the Board of Directors, the Ethics Committee, and the AMANJ staff in all matters relating to the enforcement of this Code.

14. RESPONSIBILITY OF MEMBERSHIP

Subscribe to the Code of Ethics and Standards of Professional Conduct, and the Constitution and By-Laws of the Association of Municipal Assessors of New Jersey as may be amended from time to time.

APPENDIX D
Example of Specific Assessing Policies
Association of Municipal Assessor of New Jersey

STANDARDS OF PROFESSIONAL CONDUCT

The Association of Municipal Assessors of New Jersey has adopted Standards one through six of the Uniform Standards of Professional Appraisal Practice as follows:

- In developing an appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.
- In reporting the results of an appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.
- In reviewing an appraisal and reporting the results of that review, an appraiser must form an opinion as to the adequacy and appropriateness of the report being reviewed and must clearly disclose the nature of the review process undertaken.
- In developing an analysis, an analyst must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible analysis.
- In reporting the results of an analysis, an analyst must communicate each analysis, opinion, and conclusion in a manner that is not misleading.
- In developing and reporting a mass appraisal for ad valorem tax purposes, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce and communicate credible appraisals within the context of the property tax laws and the constitutional requirement of uniformity.

ATTACHMENT A
Agency/Department Response



**OFFICE OF THE
CHIEF FINANCIAL OFFICER**

Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 1100
Detroit, Michigan 48226

Phone 313•628•2535
Fax 313•224•2135
OCFO@detroitmi.gov
www.detroitmi.gov

TO: Laura Goodspeed, Auditor General
FROM: Alvin Horhn, Deputy CFO / Assessor 
DATE: April 24, 2024
RE: Forensic Audit of Citywide Residential Property Tax Assessments – 2nd
Interim Report

We would like to thank the staff of the Office of the Assessor, Office of the Treasury, and Office of the Auditor General for their efforts in preparing this report. Our offices have worked very closely with each other now for over three years on the various stages of this continuing audit. The following attachment represents the Department's response for the indicated finding and each related recommendation in the "Forensic Audit of Citywide Residential Property Tax Assessments Second Interim Report - Office Of The Assessor Operations (April 2024)" prepared by the Office of the Auditor General.

Some recommendations offered in the response matrix have already been completed and others are continuous efforts. However, a few are not being considered at this time or we disagree with the finding. For each recommendation, we have provided the response, along with an action plan date, contact person, and contact person number and email address, in the formatted template as requested.

**OFFICE OF THE AUDITOR GENERAL
FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
SECOND INTERIM REPORT - OFFICE OF THE ASSESSOR OPERATIONS
APRIL 2024**

Departmental Responses and Action Plan

FINDING #	AUDIT FINDING	RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S) AND ACTION PLAN	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER/EMAIL
		REF	SPECIFIC RECOMMENDATION					
1.	There Is A Lack Of Evidence Of Compliance With The Legal Requirement To Inspect Twenty Percent Of Residential Properties Annually	A	Perform an analysis of annual residential parcel inspections. Completing this analysis and understanding how many parcels are completed through desktop reviews will help the Office of the Assessor to better determine its staffing needs in line with the State Tax Commission (STC) guidelines. In addition, they can also review the appropriateness of desktop reviews versus field reviews depending on the types of properties and locations needing inspection.	Office of the Assessor	Based on 2023 numbers, approximately 89 percent of all residential property reviews were done by desktop. Internal policy is to use a ratio of 2/3 desktop and 1/3 site review. As we move forward with a review of property condition across the city (which by default requires site visits because of the age of the housing stock in Detroit), we are doing what we can to reverse the over reliance on desktop review. Desktop reviews are a vital tool, but they have their limitations with older properties, particularly when it comes to judging the condition of a property.	February through September yearly. Field and Desktop Review begin with the Assessor Review and precede until the start of the Sales Validation process in September. That schedule holds true for both Residential and Commercial properties.	Kakia Stephen – Residential Property Division	Stephenka@detroitmi.gov
		B	Develop and implement an appropriate staffing model. The model should reflect workload, training, standard operating procedures, goals, and performance targets for residential appraisers.	Office of the Assessor	The Office of the Assessor’s internal staffing model (Minimum Staffing Requirements) will be provided as our response.	Completed	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov
		C	Develop more detailed sub-goals, objectives, processes, and procedures that are needed to achieve its overall goal and objectives, which is to accurately value properties within STC mandated timeframes.	Office of the Assessor	We accept the OAG findings that that our internal processes and procedures need to be better defined to ensure compliance with STC mandates	Continuous. The Office of the Assessor will commit to completing this task in the next four weeks.	Cynthia Burton – Deputy Assessor	Burtoncyn@detroitmi.gov

**OFFICE OF THE AUDITOR GENERAL
FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
SECOND INTERIM REPORT - OFFICE OF THE ASSESSOR OPERATIONS
APRIL 2024**

Departmental Responses and Action Plan

FINDING #	AUDIT FINDING	RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S) AND ACTION PLAN	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER/EMAIL
		REF	SPECIFIC RECOMMENDATION					
2.	There Are Multiple Indicators of Vacancy And There Are Inconsistencies and Contradictions Between the Various Indicators of Vacant Property.	A	Conduct a Vacant Land Sample. The City's property records include over 122,000 parcels identified as vacant land, which increased by more than 45,000 (60% increase) following the Reappraisal. Although it is widely recognized that the City contains numerous vacant parcels, an audit of all vacant parcels will improve the overall accuracy of the property records. The study may identify areas for improvement to its processes to help maintain accuracy going forward.	Office of the Assessor	While the Office of the Assessor agrees with the need for a vacant land study, it is not something that this office can consider at this time.	Not being considered at this time.	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov
		B	Identify the City's single indicator of vacancy and release information to the public (residents, investors, etc.). If this is not feasible, develop and release detailed information on how to interpret the various data fields and indicators of vacancy	Office of the Assessor	While there are several fields used internally by staff, the only field which is used in all reports as required by the STC CAMA Standards. Those are property classes 202 (Commercial Vacant), 302 (Industrial Vacant), and 402 (Residential Vacant)	Disagree with the need to devote resources to this finding, the Office of the Assessor doesn't agree with this finding.	Alvin Horhn – Deputy CFO/Assessor Daryl Hardy – GIS/Data Analysis Division	Horhna@detroitmi.gov Dhary@detroitmi.gov
		C	Establish appropriate transaction edits in Equalizer/BS&A/Assessing and implement line-level managerial or supervisor reviews of property changes. Thresholds should be low enough to provide reasonable assurance of accurate assessments and updates but should not stifle productivity.	Office of the Assessor	The Office of the Assessor agrees with the finding by the OAG and has been taking steps to implement this level of review. That includes a contract with a former BSA developer and trainer to assist senior staff in this endeavor.	Continuous efforts are being made to comply with this finding,	Cynthia Burton – Deputy Assessor Trina Milburn – Operations and Administrative Services Division Daryl Hardy – GIS/Data Analysis Division	Burtoncyn@detroitmi.gov Milburnt@detroitmi.gov

**OFFICE OF THE AUDITOR GENERAL
FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
SECOND INTERIM REPORT - OFFICE OF THE ASSESSOR OPERATIONS
APRIL 2024**

Departmental Responses and Action Plan

FINDING #	AUDIT FINDING	RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S) AND ACTION PLAN	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER/EMAIL
		REF	SPECIFIC RECOMMENDATION					
		D	Provide [develop] transaction exception reports to managers or supervisors so they can review the accuracy of work done by their subordinates	Office of the Assessor	The answer provided in to 2. (C) serves as our response.	Continuous efforts are being made to comply with this finding,	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov
		E.	Establish an action plan and timeline to make immediate corrections to parcels that have conflicting indicators of vacancy.	Office of the Assessor	The only indicator of whether a parcel is vacant is, by STC rules, the property class.	Continuous efforts are being made to comply with this finding,	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov
3.	There Is A Lack Of Operational Efficiency When Using The City’s Computer Assisted Mass Appraisal Data System.	A	Perform a “Data Observability” Study “ to fully understand the health of the data in the organizations systems.	Office of the Assessor	There is an effort underway with BSA Software to determine what can be done with what the company itself describes as a “legacy system”. The Office of the Assessor is painfully aware of the limitations and obsolescence of our current CAMA and are doing what we can to work around these limitations.	Continuous	Alvin Horhn – Deputy CFO/Assessor Cynthia Burton – Deputy Assessor Daryl Hardy – GIS/Data Analysis Division	Horhna@detroitmi.gov Dhary@detroitmi.gov Burtoncyn@detroitmi.gov
		B	Conduct a feasibility study to explore the merits and costs of a project to invest in a new Computer Assisted Mass Appraisal Data system that is cloud-based and that meets all Michigan STC standards.	Office of the Assessor	There is a need for a new CAMA system, but this is not currently an active project.	Not an active project	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov
4.	There Is A Lack of Policies Unique To The Organization’s Activities.	A	1. Create a “Conflict of Interest” policy unique to the City of Detroit’s assessing activities.	Office of the Assessor	All city agencies are unique, but we are all employees of the City of Detroit. It has been my experience that the current HR rules are appropriate to deal with any misconduct among staff.	The Office of the Assessor believes that current HR rules regarding employees suffices, there is no intention to pursue this objective,	Alvin Horhn – Deputy CFO/Assessor	Horhna@detroitmi.gov

**OFFICE OF THE AUDITOR GENERAL
FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
SECOND INTERIM REPORT - OFFICE OF THE ASSESSOR OPERATIONS
APRIL 2024**

Departmental Responses and Action Plan

FINDING #	AUDIT FINDING	RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S) AND ACTION PLAN	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER/EMAIL
		REF	SPECIFIC RECOMMENDATION					
			2. Create a "Code of Ethics" policy to include best industry practices	Office of the Assessor	See above answer, it applies to this question as well.	See above answer, it applies to this question as well.	Alvin Horhn – Deputy CFO/Assessor	Hornha@detroitmi.gov
5.	Did Not Fully Comply With Record Retention, Policies, Procedures, And State Laws.	A	Adhere to and comply with all local and State laws pertaining to the record retention policies and procedures for assessing documentation.	Office of the Assessor	The Office of the Assessor believes it is compliant with State Tax Commission policy regarding the retention of valuation records. We will take steps to determine if we are in violation of any city ordinance regarding the same.	Being reviewed and studied	Trina Milburn – Operations and Administrative Support Division	Milburnt@detroitmi.gov
		B	Preserve a record of all values that are certified to the County and State taxing authorities. This should include detailed and adequate support for the assessments and valuations, and a historical file and/or readable database.	Office of the Assessor	In response to an earlier OAG finding, the Office of the Assessor now maintains a backup of its assessing database named "Pre MBOR" which consists of the original values prior to the start of the MBOR and a "Post MBOR" which are the starting values for that tax year. In addition, the L-4037 (Assessment Roll Certification), L-4022 – Assessment Roll Changes and Classifications, L – 4024 (Real and Personal Value Totals) are maintained as well as PP statements, revision changes, HOPE applications as per state law.	Completed	Daryl Hardy – GIS/Data Analysis Division	Dhary@detroitmi.gov

**OFFICE OF THE AUDITOR GENERAL
FORENSIC AUDIT OF CITYWIDE RESIDENTIAL PROPERTY TAX ASSESSMENTS
SECOND INTERIM REPORT - OFFICE OF THE ASSESSOR OPERATIONS
APRIL 2024**

Departmental Responses and Action Plan

NOTES OF CONCERN		RECOMMENDATIONS		RESPONSIBLE DEPARTMENT	DEPARTMENT RESPONSE(S)	ESTIMATED/ PLANNED IMPLEMENTATION DATE	CONTACT PERSON	CONTACT PERSON NUMBER/EMAIL
		REF	SPECIFIC RECOMMENDATION					
1	Did Not Comply with the Michigan State Tax Commission Computer Assisted Mass Appraisal Data System Standards for the Correct Listing of Attributes of Residential Parcels.	1	We are concerned with the slow progress and recommend that the Office of the Assessor assign adequate staffing to the project plan so that updates are completed which will bring the City's property attributes in full alignment with the standards.	Office of the Assessor	The City of Detroit – Office of the Assessor passed itself 14-point AMAR (Audit of Minimum Assessing Requirements) administered by the State Tax Commission, as a result, I disagree with this finding. Admittedly, while we are compliant with STC standards, there are issues which we are attempting to resolve. The need to prioritize assignments means that we do not have the resources to full dedicate to this issue.	Open	Alvin Horhn	Horhna@detroitmi.gov
2	Key Performance Metrics Tracking And Reporting Attributes Of Residential Parcels Are Lacking In Some Areas And Do Not Capture Or Include Vital Information.	2	We commend the Office of the Assessor for implementing this valuable management tool and recommend that they continue to work to improve the adequacy of their key performance metrics and reports.	Office of the Assessor	A work in progress, we can and will do better with this vital OAG finding.	Open	Alvin Horhn Cynthia Burton Trina Milburn	Horhna@detroitmi.gov Burtoncyn@detroitmi.gov Milburnt@detroitmi.gov

Subject: Office of the Assessor Ethics Policy

Effective: May 1, 2024

Distribution: Office of the Assessor Staff

PURPOSE: This policy is to act as a supplemental to the standard of conduct that is outlined in the City of Detroit ethics ordinance by the Board of Ethics (Section 2-106.1, Section 2-106.2), applicable to all employees and contractors, which establishes disclosure requirements and the City of Detroit Universal Work Rules which establishes corrective action related to employee code of conduct.

This Directive is not intended to serve as an exhaustive treatment of requirements, limitations, or prohibitions of an Office of the Assessor employee's conduct and activities established by this department. The intention, however, is to alert employees specify (where possible) actions and inactions that are contrary to and conflict with the duties and responsibilities of staff when conducting themselves and their affairs in a manner that reflects professionalism and representation of the department.

POLICY: This establishes the minimum standards of conduct to which staff must abide by and adhere. Any actions or lack of action that is inconsistent with and/or poses a conflict with the ethical standard established, which may negatively impact the department or the City of Detroit's overall reputation. Such actions and/or inactions which detracts or interrupts in any manner, the responsibility of the Office of the Assessor's ability to discover, list and value at current market conditions all real and tangible personal property in the City of Detroit for the purposes of levying the tax lawfully imposed and to warrant said levy to the Treasurer of the City of Detroit for collection is deemed unacceptable.

STANDARD OF CONDUCT: Employees must comply with the following standards below:

1. Employees are required to report any perceived conflict of interest they may have to the City of Detroit Board of Ethics by completing and submitting a "PUBLIC SERVANT DISCLOSURE OF INTEREST" form. Incompatible employment or rendering services is prohibited.
2. Appointees, Managers, Supervisors, and all appraisers must maintain a valid State of Michigan driver's license.
3. An employee who may own property in the City of Detroit and wishes to appeal has the right to do so with the City of Detroit March Board of Review.
4. An employee shall not act as an agent, attorney, or representative for another person, business or organization in any matter that is pending before a city agency except for provisions outlined with the Board of Ethics standards.
5. An employee shall not participate in any handling any real or personal property changes with any involvement with a business entity or of an immediate family member that has a financial or legal interest.

6. Employee shall not be involved with any solicitation or acceptance of a person or business loan or payments. An employee, the course of his or her duties, exercises significant authority, shall not solicit, or accept a loan or payment from an individual who is providing service to, or receiving tax abatements, credits or exemptions from the City.
7. An employee shall not knowingly use or disclose confidential information to third parties concerning; especially those who handle documentation related to exemptions that are based on an individual's eligibility or business personal property documents. Divulging official confidential information to anyone except the person for whom it is intended is prohibited. This includes sharing personal information with agencies within the City of Detroit or any external sources; in which this information is not made available to members of the public and gained by reason of his or her official duties.
8. Employees may not engage in outside business, employment, or occupation without obtaining written permission from the City of Detroit Human Resources Department.
9. Employees shall not engage in any conduct or activities, that reflects discredit on the other employees of this department, may bring this department into disrepute, or impairs this department's efficient and effective operation. This includes behavior and actions that may create the appearance of impropriety.
10. Employees shall follow Michigan laws and regulations relating to the appraisal, assessment, and taxation of property within the City of Detroit.
11. Employees shall not intentionally provide inaccurate, untruthful, or misleading information or use misleading claims or promises of relief.
12. Employees are required to report any perceived conflict of interest they may have to the City of Detroit Board of Ethics by completing and submitting a "PUBLIC SERVANT DISCLOSURE OF INTEREST" form. Incompatible employment or rendering services is prohibited.

TRAINING REQUIREMENTS: Employees must complete the following training requirements:

- a. Employee must sign City of Detroit city wide policy related to ethical conduct in POWERDMS.
- b. Office of the Assessor employees must attend at least one course/training offered by the City of Detroit Board of Ethics every other year.

DISCIPLINARY ACTION: Violation of this policy or the City of Detroit Ethics policy may include one or more of the following at the departments discretion based on severity of the offense:

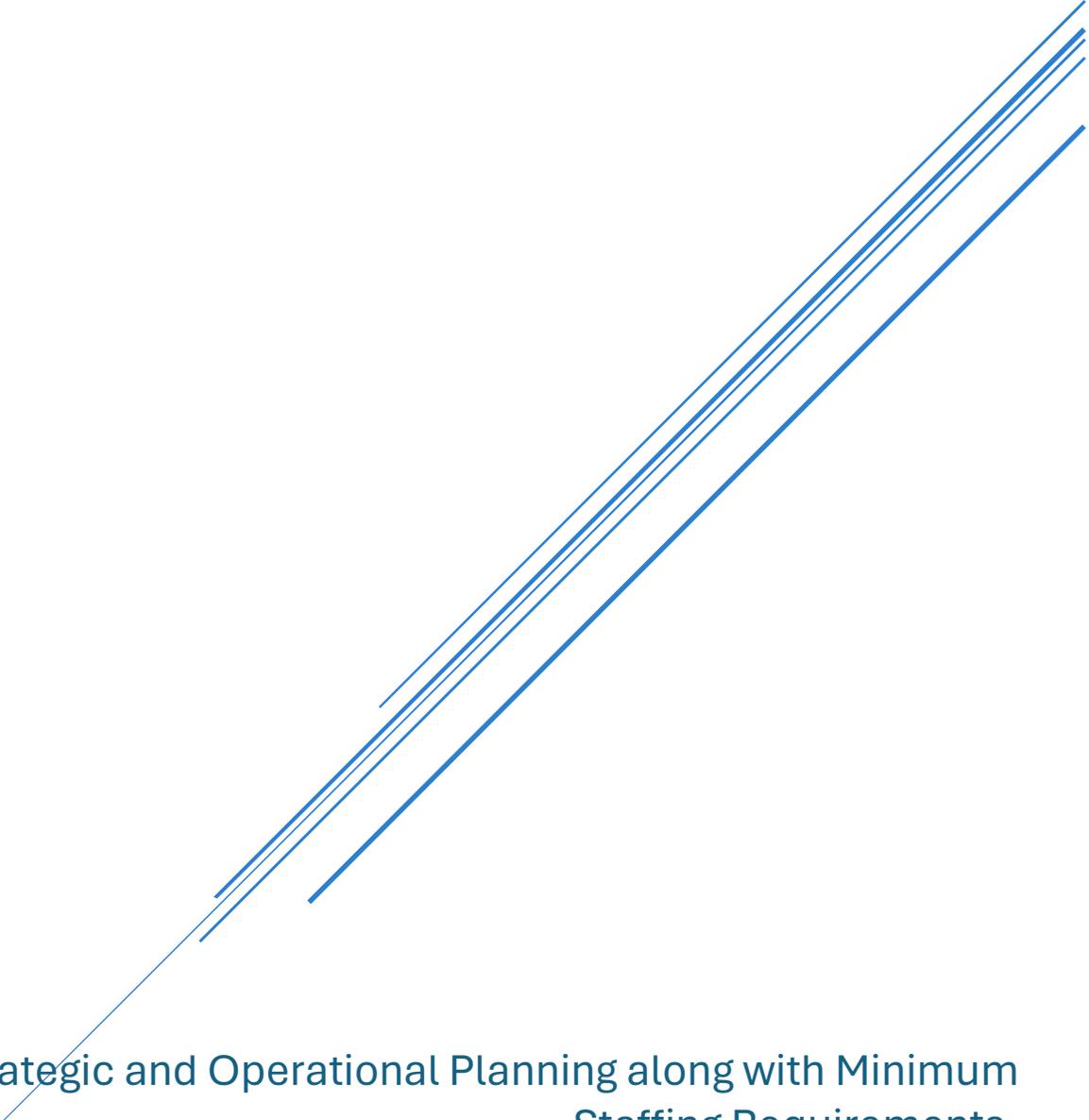
- Oral reprimand with the employee and issuance of a warning. This may include additional ethics training.
- Written reprimand issued and placed in employee file.
- Suspension at Group II, Group III or Group IV offense.
- Termination of employment (Group V offense) as determined by the City of Detroit Universal Work Rules and in conjunction with any Union contractual agreement.

REPORTING SUSPECTED UNETHICAL BEHAVIOR: Employees have the right to report unethical behavior by doing the following:

1. The complaint must be made in writing on a designated form. It must be signed and sworn to in the presence of a Notary Public, by the person making the complaint. Board of Ethics has staff available to assist or answer questions regarding completion of the forms or Board procedures.
2. The Board may act upon questions or complaints regarding the Ethics Ordinance. However, the Board does not have the authority to investigate or address conduct that is not prohibited by the Charter or the Ethics Ordinance.

Annual Review Responsibility: City of Detroit Board of Assessors

OFFICE OF THE ASSESSOR



Strategic and Operational Planning along with Minimum
Staffing Requirements.

THE ASSESSMENT
FUNCTION

DISCOVER:
What is it, and where is
it

LIST:
Define what it is by the
highest and best use

VALUE:
Determine market value
as of December 31 of
the prior year

Mission Statement

To discover, list, and value at current market conditions all real and tangible property in the City of Detroit in accordance with the laws of the State of Michigan, specifically, Act 206 of 1893 as modified, The General Property Tax Act of the State of Michigan and the relevant ordinances of the City of Detroit.

For operational purposes, the Office of the Assessor is divided into the following four divisions:

Residential Property Division:

The Residential Property Division is responsible for the valuation of the current market value of all residential real property in the City of Detroit. They are responsible for creating residential ECF neighborhoods and processing all residential tax abatement. They are also responsible for defending the values during the appeals process.

Commercial, Industrial, and Personal Property Division:

The Commercial/Industrial/Personal Property Division is responsible for the valuation of the current market value of all commercial, industrial, and tangible personal property in the City of Detroit. They are responsible for defending the values during the appeals process. They are also responsible for abatements and exempt property.

Operations and Administrative Services Division:

The Operations and Administrative Services Division is responsible for servicing all internal and external customers of the Office of the Assessor, processing all documents received by this office, all financial and budgetary matters, managing the appeals process, and the review and analysis of residential sales in addition to other duties and projects as assigned.

GIS and Data Analysis Division:

The GIS and Data Analysis Division is responsible for all revisions (splits and combinations) to the Assessment Roll. They verify legal descriptions, perform data analysis and integration, maintain land records (field cards), and maintain the City of Parcels Layer. This division house the CAMA Administrator and is responsible for balancing the Assessment Roll with Treasury.

The Office of the Assessor's structure can be considered geographic by design. Divisions and sections are organized by function, with each having specific responsibilities. This provides oversight and accountability for an identifiable portion of the overall assessment cycle.

Additionally, the Residential Property Division and the Operations and Administrative Support Division are further divided into sections, with two in Residential and three in Operations. Appraisal staff in the Residential Division are assigned to either the Detroit East or Detroit West sections are their area of responsibility. The Operations and Administrative Services Division has three functional sections with their own area of responsibility and expertise:

- a) Board of Review Support Staff – clerical and administrative support to the Detroit Board of Review
- b) Customer Information Management—the customer-facing staff responsible for returning emails and calls from the public, managing the daily mail, and scanning those items that we are statutorily required to maintain.
- c) Sales and Analysis – processes and analyzes all transfers of property (deeds, property transfer affidavits, land contracts) to determine if they are market sales to be used in the 24-month sales study. Processes Principal Residence Exemptions (PRE), Detroit Land Bank Authority transactions, and verification of property condition following a sale or transfer.

Attributes of an Effective Assessment System

A. Legal framework

1. A market value system and annual assessments.
2. The disclosure of sale prices, rents, and operating expenses to assessors.
3. Public notice of changes to Assessed Value.

B. Ratio studies

1. Ratio studies are used to determine compliance with state laws and best standards.
2. Ratio studies are also used for internal quality control in an effective assessment system.

C. Adequate budget

1. The assessor's budget expresses support for accurate and equitable assessments.
2. Funding an effective system is more cost-effective than fixing or improving an inadequate or broken one.

D. A competent staff and an effective training program

1. Staff familiar with appraisal methods, local markets, and conditions.
2. Staff with technical skills, such as mapping, data analysis, model building, and support staff to support all appraisal functions.
3. Funding available for training and certification.

E. Effective internal controls

1. Planning: Setting realistic and specific goals to ensure compliance with Act 206, the General Property Tax Act.
2. Quality assurance is a continuous process of testing work products and flows to ensure the plan is executed and complies with state law.
 - a. A review of progress and performance contributes to effective and efficient operation.
 - b. Establish procedures for monitoring the quality of assessments, editing data, reviewing appraisals, and reporting time and productivity.

F. Organizational Plan

1. A plan that controls staff time allocation and responsibilities division. It also allocates duties to qualified staff and avoids duplication of efforts.

G. Complete maps and property data

1. An efficient property assessment system has a complete set of parcel maps for the jurisdiction in a Geographic Information System (GIS) format.
2. Maps are updated regularly to show boundary changes or changes in physical features.
3. Assessment records containing complete and accurate information about sales and the condition of sold properties.
4. Sales data is screened to ensure only "arms-length" sales are used for analysis. "Arms-length" sales are those with knowledgeable and willing buyers and sellers, under no duress, with reasonable time on the open market. The sale price represents a cash or

cash equivalent sale.

Strategic Planning

The primary purpose of strategic planning is to set clearly defined goals for an organization's growth and success. It articulates its goals and prepares a realistic and doable roadmap to achieving them. Strategic planning is a systematic process that helps prioritize efforts, effectively allocate resources, and ensure the goals and objectives are realistic, practical, achievable, and backed by data and sound reasoning. Strategic Planning takes place over several years and must be reviewed regularly and adjusted for the inevitable changes that occur over time.

The strategic planning for the Office of the Assessor envisions the following long-term (two-five years) planning:

- a) Implement a valuation model for residential properties based on the multiple regression analysis (MRA) model.
 - a. The contract for staff training is in place (Kevin Keane, former mass appraisal manager for the City of Philadelphia, was awarded the contract in 2023).
 - b. Proof of concept due fall 2023 to convince the State Tax Commission (STC) of the validity of this approach, using MRA to define ECF Residential Neighborhoods better.
- b) Implementation of software (DHN) to better manage Homeowners Property Tax Exemption (HOPE) process and to allow appraisal staff access to information maintained by agencies such as the State of Michigan, IRS, etc.
- c) Revaluation of commercial and industrial properties in the City of Detroit. This is a two—to three-year project slated to begin in 2023. STC bulletins require a class of properties to be reassessed every five years. A contract with a commercial valuation appraiser (Miller Appraisal) is in place; however, project implementation was delayed due to staff issues in the Commercial and Industrial Section. The current complement of three appraisers isn't enough to start a project of this magnitude. The minimum number of appraisers needed for a commercial and industrial parcel count of 38,501 (18,442 improved) is five.
- d) A new computer-assisted mass appraisal (CAMA) system is needed to replace the current Assessing.Net (equalizer) system designed by BSA Software. The current CAMA system operated by the Office of the Assessor is some twenty-five years old, and its limitations have been known for some time. We

(Assessors) have been attempting to engage the STC, Oakland and Wayne County Equalization, the City of Grand Rapids, and others in a united attempt to find a new CAMA system. Despite the obsolescence and inadequacy of the current system, there are concerns about the city's willingness to fund a new system short of a state directive to replace Assessing.Net.

- e) To modify the Residential Economic Condition Factor (ECF) neighborhoods over the next two to four years. State law requires using the cost approach to value, as defined by the STC Assessor manual, to value property in Michigan. An ECF is designed to modify the Assessors Manual for the local market. The ECF is based on the sales comparison approach to value, and the current 207 neighborhoods were developed in the 2016/2017 timeframe. Because of the changes over the last several years in the real estate market, in some cases, they no longer reflect the "conditions on the ground" in some neighborhoods. The process of modifications started in 2023 and based on a review of sales over the last 48 months, we (Assessors) believe that roughly one-third of the existing ECF neighborhoods need to be modified. In 2024, two residential appraisers have been assigned to the ECF project as their primary duty.

Operational Planning

Operational Planning is implementing strategic plans and objectives to reach specific goals. Operational planning tends to be short-term (less than one year) and contains detailed information about objectives, workloads, measures of performance, and resources allocated. They have written objectives that have qualitative measurable terms, stating the desired results to be obtained within a given period:

- a) Is the intended result exactly stated (quality)?
- b) Can the intended result be measured (quantity)?
- c) Does it specify when the intended result will be accomplished (time)?

Due to the nature of the assessing cycle and the rules governing valuation practices in Michigan, the operational goals of the Office of the Assessor tend not to change year from year. While changes are necessary due to factors such as changes in priorities, resources available, and changes in law, the operational goals of the office are defined, in large part, by its mission statement, which is to value all real and tangible personal property in the city. The operational goals for the Office of the Assessor in 2024 are as follows:

- a) The annual review of twenty percent of improved residential properties in the City of Detroit. The ideal ratio is 2/3 using remote data verification (desktop reviews) and 1/3 site visits. Due to limited resources, desktop reviews have approached ninety percent of all field reviews over the last two years. While desktop review is a core component of our operating ability, it has limitations, particularly in

determining the condition of older housing stock, which, in many cases, hasn't been well maintained. The Residential Property Division has been tasked with performing site visits to at least twenty-five percent of field reviews for 2024.

- b) Updating residential land values for 2024. There are six methods for valuing land for tax purposes.
 - a. The sales comparison approach is the preferred method but requires an adequate number of market sales of vacant land, which does not exist in Detroit.
 - b. The Abstraction Method requires an accurate estimate of depreciation to be effective. With Detroit's housing stock's average age of 103 years, it is next to impossible to accurately estimate depreciation for this stock.
 - c. Cost of Development Model is best used for new construction.
 - d. The Capitalization of Ground Rent and (e) Land Residual Capitalization is best used for income-producing properties.

That leaves the Allocation Method as the only basis for valuing Detroit's residential land. The allocation method is based on the Assessment principle of Balance, which states that there is a sense of proportion in the four agents of production, of which land is one. This work started in the summer of 2023 and will be completed before the end of the current fiscal year.

- c) Automating the import of sales from the Wayne County Register of Deeds in Assessing.Net.
- d) Reviewing and modifying the commercial and industrial ECFs.
- e) Reviewing and modifying (if necessary) the Detroit commercial and industrial land tables. Unlike the residential class of properties, Detroit has an adequate number of vacant commercial and industrial land sales to be confident of the existing land tables. This exercise is a deep dive into the land tables to confirm the existing values.
- f) We will review of the improved commercial and industrial properties in the City of Detroit, which is 18,442 parcels. We believe that the existing staff can accomplish this goal.
- g) Creating career opportunities for our paraprofessional (clerical) staff). The Office of the Assessor spends substantial time and resources training staff across the board. Most of our clerks hold state certification and are among our most productive employees. We intend to create a career path for staff who do not want to become appraisers or analysts. Working with Class Compensation for the past several months, we believe we have demonstrated the need to create clerical positions equivalent to our Appraiser III and IV titles, which

serve as team leads in Assessors. We want to hold on to all of our staff, and we believe this effort will allow us to do so and to reward some of our best employees.

- h) Processing HOPE applications timely.

- i) Minimize the adjustments necessary to the city's tax roll. While the cause of many adjustments is beyond the control of this office, a review of adjustments done in the 2021 – 2022 timeframe suggests that almost forty percent of the adjustments made were avoidable. We are attempting to understand the reason why so many adjustments are done by this office and whether the causes are
 - a. Needed process improvements.
 - b. Lack of staff to process things timely, resulting in prior year adjustments.
 - c. Better training to prevent the need for adjustments in the first place.

Personnel Requirements

The table below is from the International Association of Assessing Officers.¹ and represents best practices regarding staffing requirements per parcel:

Parcel Count	FTEs (Full-Time Employees)
1,000 - 10,000	4
10,001 - 25,000	7
25,001 - 50,000	13
50,001 - 100,000	26
100,001 - 200,000	54
200,001 - 500,000	115
500,000 and above	360 to 525

Based on IAAO's best standards, the complement of the Office of the Assessor should stand at 115. The Michigan State Tax Commission suggests a ratio of one staff person for every four thousand parcels; the complement of the Office of the Assessor should stand at 103 (413,934 real and personal property parcels). **As of the fiscal 2023 budget, the full-time staffing complement of the Office of the Assessor stood at 67, with five vacancies and three employees on long-term leave.** In addition, three Temporary Administrative Assistant Staff (TASS) were hired to train staff and are not a part of everyday division activities or normal operations.

The table on the next page compares Detroit's staff and parcel count with some of the larger jurisdictions in Michigan. The only valid comparison to Detroit is the Oakland County Assessment and Equalization Department, with 85 full-time employees for 311,000 parcels.

¹ IAAO 400 Assessment Administration (2020) International Association of Assessing Officer pg 76

	Detroit	Oakland County*	Macomb County*	Grand Rapids	Troy	Lansing	Dearborn	Southfield	Royal Oak
Staff Complement	67	85	34	14	9	7	6	4	6
Parcels (Real and Tangible Personal Property)	413,934	311,000	159,000	65,933	43,000	28,000	24,107	14,000	26,000
Parcels per staff	6,178	3,659	4,676	4,710	4,778	4,000	4,018	3,500	4,333

State Tax Commission recommends 1 appraisal staff member for every 4,000 parcels

* Oakland and Macomb have contracts with local units to serve as the Assessor of Record.

The basic formula recommended by the IAAO for determining personnel requirements is as follows:

$$S = P / (R \times T)$$

Where

S = Staff

P = Parcels

R = Production Rate

T = Time Available

The following pages show the calculation for the Office of the Assessor's minimum staffing requirements. These numbers were calculated using the above formula.

Staffing for Residential Property Division:

			260		Improved Residential Properties	234,819
S=P/(RxT)			-14	holidays	Council Requirement 20% Reviewed Annually	20%
S=Staff			-15	vacations	Number to Review	46,964
P=Parcels			-8	sick		
T=Time	T=165		-24	DTSC	Building Permits (not including vacant lots)	11,000
R=Rate	R=35		-10	training		
			-24	miscellaneous duties	NEZ Applications	1,000
Staff = Parcels/(Rate x Time)			165	Total Days	ECF Review	28,994
Total Residential Parcels Improved	234,819	46,964	35	165		
		46,964	5775			
Needed for field reviews			<u>8.13</u>			
		11,000	35	165		
		11,000	5775			
Needed for Permits			<u>1.90</u>			
		1,000	18	165		
		1,000	2970			
Needed for NEZ			<u>0.34</u>			
Sales for ECF Review		28,994	50	165		
		28,994	8250			
			<u>4</u>			
Total staff needed Residential Property Division			<u>14</u>			

Staffing for Commercial, Industrial, and Personal Property:

			260		Improved Commercial and Industrial	18,442
S=P/(RxT)			-14	holidays		
S=Staff			-15	vacations	Total to Review	18,442
P=Parcels			-8	sick		
T=Time	T=165		-24	DTSC	Building Permits	500
R=Rate	R=15		-10	training		
			-24	miscellaneous duties	Abatements	1,200
Staff = Parcels/(Rate x Time)			165	Total Days	Total Items	20,142
		18,442	29	165		
		18,442	4785			
Needed for field reviews			3.85			
		500	7	165		
		500	1155			
Needed for Permits			0.43			
		1,200	8	165		
		1,200	1320			
Needed for Abatements			0.91			
Total staff needed Commercial & Industrial Property Division			5			

Personal Property			260			Personal Property Accounts (Active)	6,300
S=P/(RxT)			-14	holidays			
S=Staff			-15	vacations		Total to Review	6,300
P=Parcels			-8	sick			
T=Time	T=165		-24	DTSC			
R=Rate	R=30		-10	training			
			-24	miscellaneous duties		Exemptions & Abatements	2,500
Staff = Parcels/(Rate x Time)			165	Total Days		Total Items	8,800
		8,800	30		165		
		8,800	4950				
Needed for field reviews			<u>1.78</u>				
Needed for Exemptions and Abatements							
		2,500	10		165		
		2,500	1650				
Needed for Abatements			<u>1.52</u>				
Total staff needed Personal Property(D15+D20+D23)			<u>3</u>				

Staffing for Operations and Administrative Services:

Sales and Analysis						Sales	63,000
S=P/(RxT)						Condition and Sale Verification	8,500
S=Staff							
P=Parcels	P=63,000						
T=Time	T=165						
R=Rate	R=50						
Staff = Parcels/(Rate x Time)						Total Sales and Reviews	71,500
		63,000	50	165			
		63,000	8,250				
Needed for sales analysis			<u>7.64</u>				
		8,500	35	165			
		8,500	5,775				
Needed for condition reviews			<u>1.47</u>				
Total staff needed Sale and Analysis Section			<u>9</u>				

Board of Review Support				
S=P/(RxT)				
Rate	22	14,100	3,630	4
Parcel	14,100			
Time	165			
Staff	4			
Emails				
Rate	45	8867	7425	1
Parcel	8,867			
Time	165			
Staff	1			
Follow up				
Rate	30	16700	4950	3
Parcel (attempts at contact)	16,000			
Time	165			
Staff	3			
Total Staff Required				8

Customer Information Management				
MAIL				
S=P/(RxT)				
Rate	450	68,747	74,250	<u>1</u>
Parcel (Mail)	68,747			
Time	165			
Staff	3			
SCANNING				
Rate	1,000	277,835	165,000	<u>2</u>
Parcel (Scanning)	277,835			
Time	165			
Staff				
PHONES				
Rate	40	34,000	6,600	<u>5</u>
Parcel (Phones)	34,000			
Time	165			
Staff	5			
Total Staff Required				<u>8</u>

	Minimum Staffing Requirement	Current Staffing Levels
Appointees (3 Assessors and 1 Deputy Assessor)	4	3
Administrative Assistants (one for BOR)	2	2
Managers	4	3
Supervisors	6	5
Assessor Board Coordinator/Secretary to the BOR	1	0
Board of Review Support	8	6
Commercial and Industrial Properties	5	4
Customer Information Management	8	6
GIS and Data Analysis	8	7
Personal Property	3	5
Residential	14	10
Sales and Analysis	9	9
Training and Quality Control (Agency Level)	3	1
Vacancies		6
Totals	76	67
* includes FA II not assigned to Sales		