

INTERNAL AUDIT REPORT

2020-09

Consistency Between Municipal Property Databases

Development Services Department

October 22, 2020

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

October 22, 2020

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2020-09, Consistency Between Municipal Property Databases, Development Services Department**. A brief summary of the report is presented below.

In accordance with the 2020 Audit Plan, we have completed a Consistency Between Municipal Property Databases audit. The objective of this audit was to determine if inconsistencies existed between the Computer Assisted Mass Appraisal System and Certificates of On-Site Systems Approval databases and estimate the magnitude of the inconsistencies. This would provide the Municipality of Anchorage with information necessary to develop a plan to maximize limited resources for database comparisons. Records examined included Computer Assisted Mass Appraisal System database entries of properties identified by the Property Appraisal Division with private well and septic systems and the corresponding scanned Certificates of On-Site Systems Approval documents maintained in the Development Services Department database. Property Appraisal and Development Services officials recommended that we look at the number of bedrooms as it is a common factor in both databases. To accomplish our objective, we reviewed 450 randomly selected property records from 12,414 properties throughout the Municipality identified by Property Appraisal as having private septic systems.

Our audit revealed that inconsistencies existed between the Computer Assisted Mass Appraisal System and Certificates of On-Site Systems Approval databases. Specifically, our review of 450 randomly selected property records from 12,414 properties identified by the Property Appraisal Division as those with private septic systems in the Computer Assisted Mass Appraisal System database revealed 132 (29%) inconsistencies between the Computer Assisted Mass Appraisal System and the Certificates of On-Site Systems Approval records.

There was one finding in connection with this audit. Management was responsive to the finding and recommendation.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

October 22, 2020

Internal Audit Report 2020-09 Consistency Between Municipal Property Databases Development Services Department

Introduction. The Municipality of Anchorage's (Municipality) Property Appraisal Division (Property Appraisal) maintains a database of all real property located within the Municipality for property tax valuations. This database, known as the Computer Assisted Mass Appraisal System (CAMA), is continually updated by Property Appraisal staff to maintain the most accurate property information possible.

The Municipality's Development Services Department (Development Services) maintains a database of all private well and septic system permits issued for properties within the Municipality. These permits, known as Certificates of On-Site Systems Approval (COSA) and required by Anchorage Municipal Code, help to safeguard public health and safety by ensuring that private wells and septic systems meet specific requirements for the type and size of property being served. The COSA database consists of scanned documents accessible via the Development Services' website. Because the COSA database contains actual engineering drawings and physical on-site inspection results of permitted properties within the Municipality, it could be used by Property Appraisal staff for comparison to the CAMA database for accuracy.

Objective and Scope. The objective of this audit was to determine if inconsistencies existed between the CAMA and COSA databases and estimate the magnitude of the inconsistencies. This would provide the Municipality with information necessary to develop a plan to maximize limited resources for database comparisons. Records examined included CAMA database entries of properties identified by Property Appraisal with private well and septic systems and the corresponding scanned COSA documents maintained in the Development Services database. Property Appraisal and Development Services officials recommended that we look at the number of bedrooms as it is a

common factor in both databases. To accomplish our objective, we reviewed 450 randomly selected property records from 12,414 properties throughout the Municipality identified by Property Appraisal as having private septic systems.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of March through July 2020, including a work stoppage during this time when audit staff was temporarily reassigned to assist with the Municipality's COVID-19 response. The audit was requested by the Administration.

Overall Evaluation. Inconsistencies existed between the CAMA and COSA databases. Specifically, our review of 450 randomly selected property records from 12,414 properties identified by Property Appraisal as those with private septic systems in the CAMA database revealed 132 (29%) inconsistencies between the CAMA and the COSA records.

FINDING AND RECOMMENDATION

1. Inconsistencies Existed between CAMA and COSA.

- a. Finding.** Our review of 450 randomly selected property records from 12,414 properties identified by Property Appraisal as those with private septic systems in the CAMA database revealed 132 (29%) inconsistencies between the CAMA and the COSA records. The types of inconsistencies identified during our review are summarized in the table below. Extrapolating the 29 percent error rate to the overall population of 12,414 properties translates to about 3,600 mismatches. Having accurate property information in CAMA is important because it helps to ensure correct

property valuation, which is the basis for municipal property tax assessment. Inconsistencies between the CAMA and COSA databases could result in incorrect valuations, which may affect the calculation of property taxes collected by the Municipality.

Data Mismatches between CAMA and COSA

<u>Quantity</u>	<u>Description</u>
54	The as-built drawing in the COSA file showed an existing structure with more bedrooms than listed in the CAMA database.
23	The septic permit in the COSA file described an existing structure with more bedrooms than listed in the CAMA database.
21	The number of bedrooms listed in CAMA exceeded the authorized septic system capacity in the COSA permit.
16	A COSA file did not exist for the property listed in CAMA.
7	No approved septic permit could be found in the COSA file for the property shown in CAMA.
6	The as-built drawing in the COSA file showed an existing structure with fewer bedrooms than listed in the CAMA database.
2	The COSA file contained a scanned pdf file for a different property ID.
1	The title page of the COSA file contained a hand written note stating "only sized for 3 bedrooms" for a 4-bedroom property in CAMA.
1	The title page of the COSA file contained a hand written note stating "Not eligible for COSA" for a 3-bedroom property in CAMA.
1	The as-built drawing in the COSA file showed an existing structure with four bedrooms, while both the CAMA Database and scanned COSA permit documents listed only three bedrooms.
132	Total

Source: Auditor's analysis of sampled properties.

According to the Municipal Assessor, bedroom count does not have a bearing on a home's value. However, a discrepancy in the number of bedrooms can lead to

frustration for homeowners, who may feel that the number of bedrooms is an important factor in the home's value. For example, a homeowner pays property taxes on a five-bedroom home. The homeowner then decides to remodel the home and discovers that the as-built document only shows four bedrooms and now a septic system upgrade may be needed. In addition, discrepancies between the number of bedrooms in CAMA and COSA also raises questions as to what other errors may exist that have not yet been detected.

Although bedroom count does not have a bearing on a home's value, the correct designation of a bedroom is an important safety factor for a home's occupants. For example, CAMA may show the home with four bedrooms, but COSA drawings indicate three bedrooms plus a den. When the home was new, it may have been advertised as a three-bedroom home, plus a den, on a septic system. However, when it was resold, it may have been advertised as a four-bedroom home. As a result, a homeowner may think the home has four bedrooms, but the septic system was only approved for a three-bedroom home. Therefore, the septic system may not have adequate capacity and could overflow, not accept more waste, or cause the owners to adopt unsanitary behaviors, leading to public health concerns. In addition, the "fourth bedroom" may not meet the required egress standards in the event of a fire or other emergency. To be correctly designated as a bedroom, the area must meet specific engineering and code requirements, such as the existence of an external window capable of allowing passage to the outside during an emergency. Homeowners with incorrect data about the number of bedrooms in their houses may be placing themselves at risk if some of those rooms do not actually meet the engineering and code requirements of a bedroom. Likewise, prospective buyers of a property may also make incorrect decisions if they do not have accurate and complete information about the property they are considering, putting their safety at risk.

Because the COSA database is made up of document scans of drawings, handwritten permit applications, historical records, etc., there has been no automated process developed to reconcile information in the COSA database against the digital data available in CAMA. According to the Property Appraisal staff, as there are over twelve thousand properties in the Municipality with private septic systems, any type of manual process needed to convert this data and perform a meaningful comparison could be too labor intensive and cost prohibitive without first having some idea of the potential size and scope of any mismatches between the two databases.

- b. **Recommendation.** The Director of Development Services should develop a process to inform Property Appraisal of changes to the COSA database that could be important to the property appraisal process. In addition, as part of the current CAMA database project, the Municipal Assessor should consider adding a field to the CAMA database showing the number of bedrooms indicated in COSA documents.

- c. **Management Comments.** Development Services Management stated, “Management concurs with the audit finding and recommendation. As DSD upgrades the INFOR system, it will pursue an automated means to inform Property Appraisal of COSA updates. Although we do not dispute the findings, we would emphasize the COSA and CAMA data fills different purposes so need not be identical. That being said, it is important that the public be aware that there may be differences in bedroom count so that interested parties can research the basis of the difference if of concern.”

Property Appraisal Management stated, “Management concurs with the audit finding and recommendation. Property Appraisal is in the process of upgrading the CAMA system. The current scope of work on the CAMA project is narrowly focused in the interest of a successful go-live launch. The Municipal Assessor will examine the work required to integrate the COSA bedroom count into the CAMA system as an additional, read only field. If feasible, the work will most likely occur after the initial

go-live launch. In the meantime, there are other options besides linking two databases together to make the public aware of this discrepancy. For example, we could place a link to the COSA dataset on our property inquiry page and inform the public that the CAMA bedroom count may be different from the as-built.

“We don’t dispute the findings. The data in CAMA and the data in COSA serve two different purposes: the data that resides in the CAMA system is largely for the purposes of ad valorem tax, whereas the data that lives in the COSA is mostly for development and safety purposes. We also agree with the notion that over time, the CAMA bedroom count may deviate away from the as-built bedroom count. We also want to highlight the fact that bedroom count does not impact property value. However, we also agree that it could be frustrating for the current property owner and or a prospective property owner to incorrectly assume that the bedroom count in CAMA is the same as COSA.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on September 30, October 5, and October 6.

Audit Staff:
Derek Reynolds