



King County

Metropolitan King County Council

King County Auditor's Office

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MANAGEMENT LETTER

DATE: December 23, 2009

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, King County Auditor

SUBJECT: Follow-up on Implementation of Recommendations from 2006
Performance Audit of New Construction Assessments

This memorandum provides the results of our follow-up review of our 2006 New Construction Assessments performance audit. Our follow-up review found that three of the four recommendations from the original audit have not been implemented. A fourth recommendation is no longer applicable. In response to the lack of implementation, the King County Council included two \$1 million provisos in the 2010 adopted budget to direct the Assessor's Office to implement the recommendations.

Background

In 2006, the auditor's office completed a performance audit of New Construction Assessments. Revenue generated through new construction is exempt from Initiative 747's limit on tax growth; therefore, new construction assessments play an important part in adding new revenue to the county's budget. The objective of our audit was to evaluate the effectiveness of new construction assessments, compliance with laws related to such assessments, and the processes used to forecast new construction assessments for the county's annual budget. Our 2006 recommendations were separated into three categories: Assessment Process, Productivity and Performance Measurement, and Forecasting.

New Construction Assessment Process

In 2006, we found that there are 40 local government agencies issuing building permits within the county, and criteria for the submission of building permit data to the county were not enforced. This created a risk that some new construction building permit data would not be sent in a timely manner or at all. In addition, the practice of mailing or otherwise submitting hardcopy permit data failed to take advantage of computer systems already in place in the majority of the permitting agencies, which – if used – could improve efficiency and reduce typographical and other errors. The Assessor's

Office stated that it was in the process of developing an electronic system for the submission of building permit data.

Recommendation 1: The Assessor's Office should continue its efforts to transition to a predominantly electronic building permit submission system and its simplification of permit submission criteria.

Recommendation 2: The Assessor's Office should work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data integrity.

Implementation Status: Not Implemented

The Assessor's Office concurred with this recommendation in 2006, stating that the project has been underway since 1994. The Assessor further stated that an electronic system has been discussed with permitting agencies, and would be tested and "rolled out" in 2006. However, as of October 2009, only two agencies submit their permits electronically.

A proviso in the adopted 2010 budget withholds \$1 million from the Assessor's Office until that office provides council with a workplan to achieve full implementation of electronic permitting. The workplan is due July 15, 2010.

The Assessor's Office reports that it has begun researching ways to facilitate permit transfers from local jurisdictions to the county to account for new construction in real time. The office plans to meet with local jurisdictions in early 2010 to ensure that a plan for the new system can be developed expeditiously.

New Construction Productivity and Performance Measurement

In 2006, we found that the Assessor's Office did not include performance measures related to new construction assessments in its annual business plan. Since it appeared that the Assessor's Office tracked key data on the new construction function, we noted that the inclusion of performance measures and targets would be advantageous in demonstrating the efficiency and effectiveness of work performed.

Recommendation 3: The Assessor's Office should include in its 2007 business plan aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments.

Implementation Status: Not implemented

The latest business plans from the Assessor's Office provide information on the historical new construction added to the tax roll. The plan does not, however,

provide any information to inform decision-makers about the office's efficiency and effectiveness.

A proviso in the adopted 2010 budget withholds \$1 million from the Assessor's Office until the office provides council with objective workload measures for all of its lines of business. The measures are due July 15, 2010.

Forecasting New Construction Assessments

The 2006 audit found that despite the perception that new construction revenue forecasting had not been reliable, the King County Office of Management and Budget (OMB) approach to forecasting was more accurate than that of many other Washington jurisdictions. However, there seemed to be little understanding of the model, its output, and its accuracy. We noted that more communication and information exchanges between OMB and the Assessor's Office could increase confidence, transparency, and accuracy in the forecasting model.

Recommendation 4: King County OMB should work collaboratively with the Assessor's Office to prepare new construction revenue estimates for budgeting purposes.

Implementation Status: No longer applicable

Starting in 2010, King County OMB will no longer prepare new construction revenue estimates. Such estimates will be prepared by the newly created Office of Economic and Financial Analysis.

We will follow up with the Assessor's Office after the proviso deadlines have passed to ensure that our recommendations have been implemented. We are available to meet with the newly elected assessor if he would like to discuss our audit report in more detail.

Rob McGowan, Principal Management Auditor, conducted this follow-up review. Please contact Rob at 296-0368 or me at 296-1655 if you have any questions about the issues discussed in this letter.

cc: Lloyd Hara, King County Assessor, Department of Assessments
Steve Call, Interim Budget Director, Office of Management and Budget
Greg Shiring, Budget Analyst, Office of Management and Budget
Wendy Soo Hoo, Senior Legislative Analyst, King County Council