

**Audit of
Douglas County Assessor
FY 2007/2008 #05**

**Douglas County Internal Audit Division
(DCIAD)**



DOUGLAS COUNTY INTERNAL AUDIT DIVISION

Honorable Roger Morrissey
11422 Miracle Hills Drive
Omaha, Nebraska 68154

April 28, 2008

Dear Mr. Morrissey,

We have audited the Douglas County Assessors office. The period of the audit was February 19, 2008 through March 31, 2008. The audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing.

Such standards require we plan and perform our audit to adequately assess those operations which are included in our audit scope. The audit included; examining the design, and operating effectiveness, of internal controls relating to Assessors' office operations including operating systems; reviewing compliance with applicable state regulations; and performing other procedures we considered necessary to support report findings and recommendations.

The purpose of this report is to describe the results of our testing, including internal controls and compliance, and not to provide an opinion on the internal controls or compliance.

We would like to thank you, and your staff, for your cooperation and assistance during this audit.

Carmen Harmon

Ms. Carmen Harmon
Internal Audit Division, Supervisor

Table of Contents

Executive Summary	4
Objective and Scope	5
Statement of Auditing Standards.....	5
Methodology	5
Background	7
Assessment Quality in Douglas County	8
Property Valuation and Taxes Levied.....	10
Written Policies and Procedures	11
Finding # 1	11
Code of Ethics and Conflict of Interest Policy	13
Finding #2	13
Information System Security Policies	15
Finding # 3	16
Appendix I – page 1	17
page 2	19
page 3	20
Appendix II.....	21

Executive Summary

Objective and Scope Page 4

The primary objective of this audit is to review the design and effectiveness of internal controls relating to operations within the Douglas County Assessors office including information technology systems and applications used for processing transactions. The assessment incorporated testing for compliance with certain provisions of state law, regulation, and standards. Financial areas subject to our examination included, but were not limited to; major budgetary accounts. Due to a limitation of time and resources this audit did not include a review of specific assessment practices or processes.

Background Page 6

The Douglas County Assessor is an elected position with a four year term. To occupy the office an individual must hold a valid Nebraska Assessor Certificate issued by the Nebraska State Property Tax Administrator. The Assessor's duties are prescribed by Nebraska Revised State Statutes, the Nebraska Constitution, and regulations promulgated by the Nebraska Department of Property Assessment and Taxation (NDPAT), which have the effect of law.

Assessment Quality in Douglas County Page 7

As part of its annual equalization proceedings, the Nebraska Tax Equalization and Review Commission (TERC), found that levels of value of real property in Douglas County for tax year 2007 satisfied all requirements of law (*see Appendix I, page 14*).

Property Valuation and Taxes Levied Page 9

The property tax is levied only by local government in Nebraska and is the primary source of revenue for Douglas County. The property tax is levied on real estate and most personal property used for the production of income. Statewide, the 2007 property valuation totaled 131,993,854,563 dollars. Statewide, 2007 property taxes levied totaled 2.581 billion dollars, compared to 2.442 billion dollars in 2006.

Finding # 1 - Written Policies and Procedures Page 10

The Douglas County Assessors office does not have written procedures explaining how to perform business activities and functions within the office. This was a prior audit finding.

Finding # 2 - Code of Ethics and Conflict of Interest policy Page 11

The Assessors office developed a comprehensive policy manual for the office; however, the policies do not include a code of ethics or a requirement for disclosing a conflict of interest.

Finding # 3-Information System Security Policies Page 13

The information security policies in the Assessors office are insufficient, largely due to a reliance on DOT.Comm for security guidance and support. DOT.Comm has not complied with the Information Security Policy approved by their CIO in September, 2003, and formally adopted by the Douglas County Board in April, 2005.

Objective and Scope

The primary objective of this audit is to review the design and effectiveness of internal controls relating to operations within the Douglas County Assessors office, including information technology systems and applications used for processing transactions. The assessment incorporated testing for compliance with certain provisions of state law, regulation, and standards. Financial areas subject to our examination included, but were not limited to; major budgetary accounts. Due to a limitation of time and resources this audit did not include a review of specific assessment practices or processes.

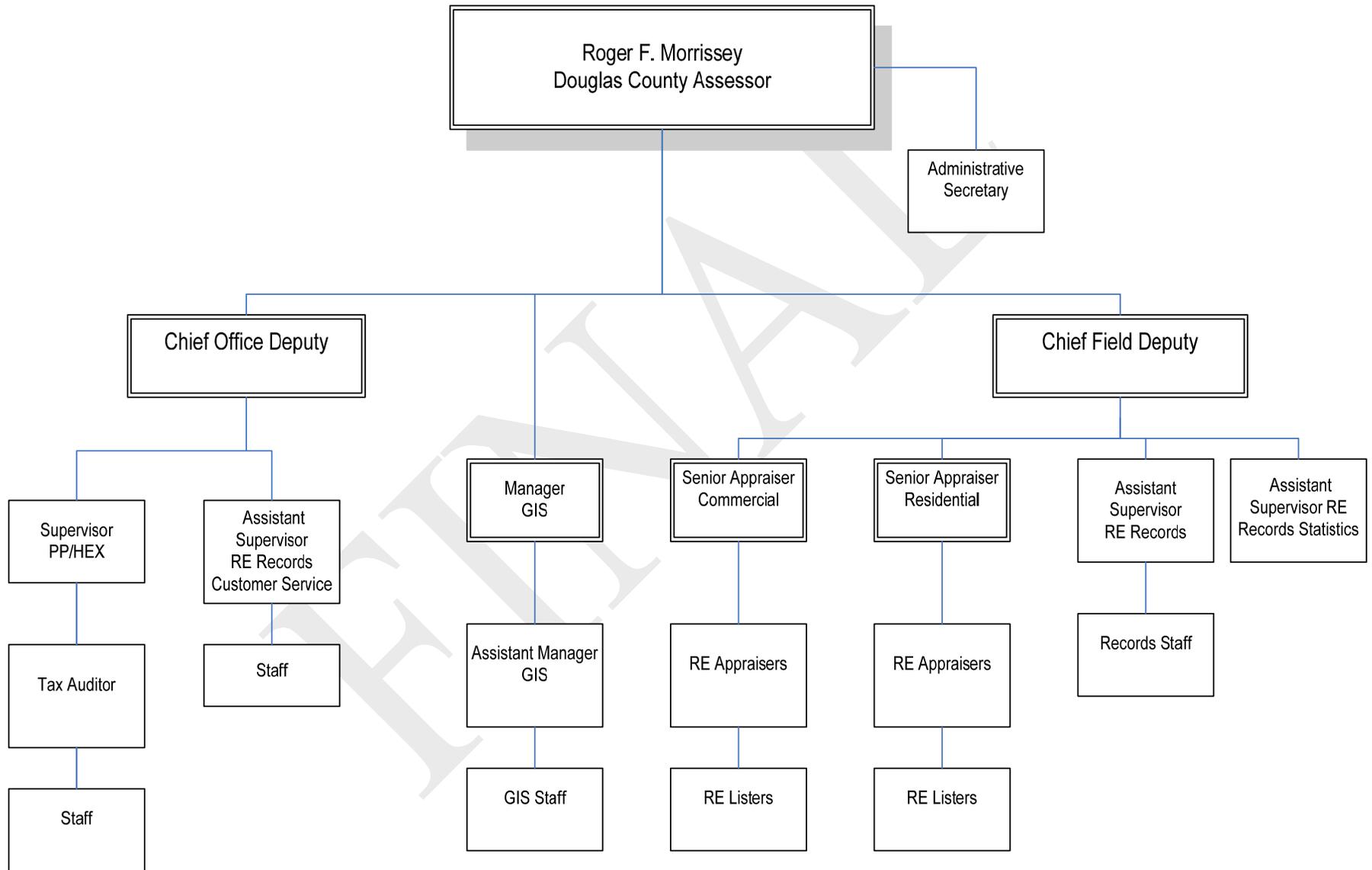
Statement of Auditing Standards

We conducted our review in accordance with Standards for the Professional Practice of Internal Auditing, Institute of Internal Auditors.¹ Standards require we plan and perform our review to afford a reasonable basis for our conclusions regarding the organization, program, activity or function under review.

Methodology

We conducted this audit using standard auditing procedures. This included performing a study of the system of internal controls to the extent necessary to plan our test work. The review involved interviewing personnel; reviewing applicable policies and procedures; and testing compliance with applicable state statutes, regulations, standards and resolutions.

¹ <http://www.theiia.org/guidance/standards-and-practices/>



Organizational Chart

Background

The Douglas County Assessor is an elected position with a four year term. To occupy the office an individual must hold a valid Nebraska Assessor Certificate issued by the Nebraska State Property Tax Administrator.²

The Assessor's duties are prescribed by Nebraska Revised State Statutes,³ the Nebraska Constitution, and regulations promulgated by the Nebraska Department of Property Assessment and Taxation (NDPAT)⁴, which have the effect of law. According to the Douglas County Assessors website, duties include:

- Administer the assessment laws established in Nebraska statute
- Establish and maintain fair and equitable value on property
- Review all applications for exemptions
- Attend all meetings of the County Board of Equalization
- Maintain cadastral records, parcel maps, etc., on all property
- Prepare abstract of value and certification of taxes levied (CTL) and file annually with the State Property Tax Administrator.*

**Note: Neb.Rev.Stat. § 77-1613.01 states, "The County Assessor or County Clerk shall certify..." In Douglas County the County Clerk prepares, and annually files, the Certificate of Taxes Levied.*

The Assessor's office currently has a staff of 48⁵ employees, and an annual total budget of approximately 2.56 million dollars.⁶ According to the 2007 Assessment Survey for Douglas County, compiled by the office of the Nebraska Property Tax Administrator, 1,139,240 dollars of the FY 2007/2008 annual budget is budgeted for appraisal work. The office allocates 20 full-time equivalent (FTE) positions for appraisers,⁷ and the appraiser to parcel ratio is approximately 10,400 to 1.

Per the Douglas County Assessor website, as of December 17, 2007 there were 208,023⁸ property parcels in Douglas County and the total taxable assessed value for all taxable property was 33,933,447,230 dollars.⁹ Douglas County accounts for approximately 25% of total taxable property value in the state.¹⁰

In 2006 the county appraisal staff appraised, or reappraised, 80,000 residential, 3,000 commercial and 1,700 agricultural properties. Properties are generally appraised using the cost approach¹¹. Market based factors are used to adjust cost for the cost approach, rather than market driven depreciation.¹²

The office uses several software applications. Real Ware is used for the Computer Assisted Mass Appraisal (CAMA) application and Arc View is used for the cadastral mapping data stored on a Geographic Information System (GIS) maintained by the Assessor's office information technology staff.

² http://pat.nol.org/assessorCertification/pdf/List_of_Certificate_Holders_By_County.pdf.

³ The statutes governing property assessment and taxation are found mainly in Chapter 77.

⁴ <http://pat.nol.org/>

⁵ Staff count from 2007 Nebraska Property Tax Assessor Assessment Survey for Douglas County

⁶ 2007/2008 Douglas County adopted budget

⁷ The reports states "three positions are vacant at the this time"

⁸ <http://www.dcassessor.org> Assessor website " Message from Roger F. Morrissey"

⁹ http://www.dcassessor.org/county_values.html

¹⁰ 2007 state total taxable value was 131,952,700,082 dollars.

¹¹ 2006 Marshall-Swift data

¹² 2007 Assessment Survey for Douglas County

Assessment Quality in Douglas County

As part of its annual equalization proceedings, the Nebraska Tax Equalization and Review Commission (TERC), found that levels of value of real property in Douglas County for tax year 2007 satisfied all requirements of law (*see Appendix I, page 14*).

The Nebraska Constitution,¹³ article VIII, section 1, requires that property taxes in Nebraska be **uniform and proportionate** and section 6 asserts, "the Legislature may prescribe standards for, and methods for, the determination of the value of real property at uniform and proportionate values."

According to Nebraska Revised State Statute (Neb.Rev.Stat.§) 77-201 section (1) declares, "all real property in this state, not expressly exempt therefrom, shall be subject to taxation and shall be valued at its **actual value**," which is essentially synonymous with "market value."¹⁴ Neb.Rev.Stat.§ 77-1315 section (2) states, "assessments are to be based on actual value," and "assessed annually".¹⁵ Also, by law, "unless entitled to an exemption, assessments are to be 100 percent of actual value,¹⁶ and 75 percent of actual value for agricultural land."¹⁷

Additionally, Neb.Rev.Stat.§ 77-5023 states, "the Nebraska Tax Equalization and Review Commission shall have the power to increase or decrease the value of...real property so that all property in all counties fall within an **acceptable range**." The acceptable range has been established by state statute.

Neb.Rev.Stat.§77-5023 instructs, "Acceptable ranges are, (a) for agricultural land and horticultural land, as defined in section 77-1359, sixty-nine to seventy five percent of actual value; (b) for lands receiving special valuation, sixty-nine to seventy-five percent of special valuation as defined in section 77-1343 and sixty-nine to seventy five percent of recapture valuation as defined in 77-1343; and (c) for all other real property, ninety-two to one hundred percent of actual value, (5) Whether or not the level of value determined by the Commission falls within the acceptable range...may be determined to a reasonable degree of certainty relying upon generally accepted mass appraisal techniques."

Douglas County ten year history of valuation changes by property classification¹⁸				
Property Type	1998	2007	Average annual rate of change	Cumulative rate of change
Residential	10,620,475,375	22,525,513,917	8.49%	125.95%
Commercial	4,554,104,085	9,237,086,214	8.08%	117.42%

¹³ Article VIII, sec. 1

¹⁴ Actual value, market value, and fair market value mean exactly the same thing for purposes of taxation; Richman Gordon v. Board of Equalization (1983)

¹⁵ Section 77-1301 and 77-1303(1)

¹⁶ Neb. Rev. § 77-201. (2)

¹⁷ Section 77-201(2) Agricultural land...valued at seventy-five percent of special...or actual...value

The quality of appraisals, or assessments, is measured and compared using coefficient of dispersion, (COD) and price related differential (PRD).

Coefficient of Dispersion (COD) measures the **average deviation from the median** ratio. For example, a COD of 14.5 would mean that the ratio differs 14.5% from the average. International Association of Assessing Officers (IAAO) standards call for COD's of not more than 15 for residential, 20 for commercial, and 20 for vacant land.

Price related differential (PRD) reflects the deviation between low and high value properties.¹⁹ The closer the PRD is to 1.00, the more equitable the assessment. The IAAO standards call for PRD's of 0.98 to 1.03.²⁰

DOUGLAS COUNTY PROPERTY ASSESSMENT			
Classification	Range of Market Value %	COD	PRD
Residential	97%	10.90	1.039
Commercial	96%	16.98	1.036
Agricultural	73%	18.59	1.036

In 2007, the Nebraska Department of Property Assessment and Taxation (DPAT) performed an analysis of Real Property Abstracts of Assessments and confirmed real property valuations increased statewide 6.51% from 2006 to 2007. Just over 28% of the increase was due to growth, or new construction, and the remainder was a valuation increase to existing property.²¹

2006 to 2007 Change in Valuation²²	Douglas County	Statewide
Residential	9.61%	6.71%
Residential exclude growth	7.62%	4.38%
Commercial	17.76%	11.00%
Commercial exclude growth	15.97%	8.23%
Agricultural	- 5.88%	3.35%
Total real % change for all	11.81%	6.51%
Total exclude growth	9.89%	4.64%

Additional assessment information provided on pages 15 - 16 of this report.

¹⁸ NE Department of Property Assessment Division 12-26-2007 Source CTL 1998-2007

¹⁹ Regressivity and Progressivity

²⁰ Almy, Gloudemans, Jacobs & Denne report of NE Property Tax Assessment

²¹ 2007 County Abstracts 4/06/2007

²² 2007 County Abstracts NE Department of Property Assessment and Taxation

Property Valuation and Taxes Levied

The property tax is levied only by local government in Nebraska and is the primary source of revenue for Douglas County.²³ The property tax is levied on real estate and most personal property used for the production of income. As previously mentioned, the tax on real estate is levied based on the actual, or market value, of the real estate. Most is assessed at 100% of actual value, but agricultural land had historically been assessed at 80% of actual value; however, beginning in 2007 agricultural lands has been assessed at 75% of actual value. Agricultural land that has a greater value if developed for other uses may be assessed at 75% of its value for agricultural use only under what is generally known as Nebraska's "Greenbelt provision."²⁴

Statewide, the 2007 property valuation totaled 131,993,854,563 dollars. This was a 5.54% increase compared to a statewide 2006 property valuation of 125,064,178,626 dollars. Douglas County had a 9.61% increase in valuation from 2006 to 2007.²⁵

Change in property taxes levied from 1997 to 2007				
	1997 Property taxes levied	2007 Property taxes levied	Annual average % of change	Cumulative % of change
Douglas County	399,282,810	722,351,810	6.11%	80.91%
Statewide	1,546,541,470	2,581,612,509	5.26%	66.93%

Statewide, 2007 property taxes levied totaled 2.581 billion dollars, compared to 2.442 billion dollars in 2006. 2007 property taxes levied for all government subdivisions in Douglas County totaled 722,351,563 dollars; a 7.43% increase over 2006. The 2007 average percent of change statewide for taxes levied was 5.71%. Estimated property tax revenue for Douglas County government operations for FY 2007/2008 was 82,906,961 dollars.²⁶

County	2006 Population US census ²⁷	2006 property taxes levied	2006 taxes levied per person	2007 property taxes levied	2007 taxes levied per person	2007 Average Tax Rate	State Rank
Douglas	492,003	672,379,019	1366.62	722,351,563	1468.19	2.1280%	2
Lancaster	267,135	354,521,572	1327.13	362,880,208	1358.42	1.9773%	8
Sarpy	142,637	196,176,411	1375.35	215,143,105	1508.33	2.1577%	1
Hall	55,555	64,246,451	1156.45	66,185,398	1191.35	2.0087%	7
Statewide	1,774,571	2,442,063,581		2,581,612,509		1.9559%	

There were 10,231 homestead exemptions approved in 2005 for Douglas County, with an exempt value of 720,674,332 dollars. The State of Nebraska annually reimburses political subdivisions for all lost tax revenue due to the homestead exemption. In 2007, estimated tax loss revenue reimbursed by the State to all political subdivisions in Douglas County was 15,522,199 dollars. Douglas County's portion of the 2007 reimbursement was 1,744,030 dollars.

²³ 2007/2008 estimated revenue from property taxes is \$82,906,961; or 37.12% of total revenues

²⁴ In 2006, LB 808 modified the special valuations provisions (Greenbelt) and required a number of procedural changes effective January 1, 2007. Generally, the changes narrowed the availability of special value designations however the bill eliminated agricultural zoning as a requirement for special value designation and phased out the requirement of recapture over three years.

²⁵ Nebraska Department of Revenue Property Assessment Division Certificate of Taxes Levied report

²⁶ Douglas County FY 2007/2008 Budget

²⁷ 2006 census at <http://www.factfinder.census.gov/servlet/SAFFPopulation>

Written Policies and Procedures

Written policies and procedures are a set of documents that describe an organization's policies for operation and the procedures necessary to fulfill the policies.

During the course of this audit the Assessor's office provided a comprehensive policy manual containing approved policy directives,²⁸ however, the manual did not detail procedures necessary to perform business functions within the office.

In the final report issued for a 1999 audit of the Douglas County Assessor's office "Administration of Greenbelt Property Assessments" Douglas County Internal Audit Division (DCIAD) commented that the Assessor's office lacked written procedures, and recommended the office begin to document office business activities. Assessor's office management responded to the recommendation and stated, "An Assessor office policy manual is in its final draft. When that manual is finished, we will start developing procedure manuals for respective divisions."

There were no documents provided during the course of this audit that detailed office procedures, however, the Geographic Information System (GIS)²⁹ division did provide documents supporting a job performance program for GIS employees.

Finding # 1

The Douglas County Assessors office does not have written procedures explaining how to perform business activities and functions within the office. This was a prior audit finding.³⁰

Recommendation

The Assessor's office should develop formal, written procedures for all business functions. While policies concentrate more on general principles, procedures emphasize detail. Procedures describe the process, or chronological sequence of steps performed, to accomplish a specific job and clarify employees understanding of management's objectives. Well-written and organized procedures also protect the institutional knowledge of an organization when experienced employees leave, and benefit training for replacement employees.

The Assessor's office should also set up a schedule for periodic reviews of existing policies to ensure policies are updated, or removed, when no longer needed.

Management Response

The work of the Douglas County Assessor's office is ultimately governed by state law and regulation. Those laws and regulations provide guidance, but not step by step direction for each function of the assessor's office. The office is also governed by countywide rules regarding things like personnel and purchasing. It has its own policies

²⁸ Douglas County Assessor policy manual issued October 23, 2007

²⁹ A geographic information system (GIS), also known as a geographical information system or geospatial information system, is any system for capturing, storing, analyzing and managing data and associated attributes which are spatially referenced to Earth.

³⁰ DCIAD audit of the Douglas County Assessors' Administration of Greenbelt Property Assessments; 1999

with respect to the operation of the office concerning items such as personnel and vehicle use.

In terms of the day to day performance of the substantive duties of the assessor's office – assessment of real property, review of personal property returns, review of exemption application for charitable, religious, educational or cemetery organizations, the review of the taxability of governmentally owned properties, the administration of the homestead exemption, the determination of base and excess values for tax increment finance projects, the application of the special valuation (greenbelt) program for the valuation of agricultural or horticultural property, and providing assistance to the county board of equalizations as part of the valuation protest and appeal process- those duties are many and varied.

Although there are guidelines provided to the staff for items such as appraisal, personal property and homestead exemption, it has been the experience of the assessor's office that on the job training, monitored by experienced staff members, is the most effective method of teaching the performance of the functions of the office. The primary reason for this is that most of the functions of the assessor's office are not mechanical and easily broken into detailed procedures. Often, the manner in which a program is applied is completely dependent on the facts provided by the applicant, property owner, or taxpayer. For example, the application of the homestead exemption program depends on the age of the applicant, whether the applicant is permanently disabled in a certain way or a veteran, the occupancy of the applicant's dwelling, the income of the applicant, the medical bills of the applicant and the value of the dwelling. While you can provide guidelines for the application of the program, in the end, it is the person dealing with the applicant whose experience can make the difference in asking the right questions to obtain necessary information to correctly determine whether the applicant qualifies or not. Our experience has been that on the job training, learning how to talk to applicants and hear what they are really telling you in order to ask the right questions has been a more effective method than a set list of rote questions that a detailed written procedure might entail. The same is true for most, if not all, of the main functions of the assessor's office.

DCIAD Response

Due to a limitation of time and resources this audit did not include a review of specific assessment practices or processes; therefore this finding referred to general office functions only and DCIAD did not determine if proper procedures were in place for the assessment practices referenced above.

Code of Ethics and Conflict of Interest Policy

The Assessors office developed a comprehensive policy manual for the office; however, the policies do not include a code of ethics or a requirement for disclosing a conflict of interest.

On September 19, 2005, the International Association of Assessing Officers (IAAO) adopted a *Code of Ethics and Standards of Professional Conduct*.³¹ The IAAO is a professional membership organization of government assessment officials, and others, interested in the administration of the property tax. The association has developed uniform standards of professional appraisal practice and a professional designation for assessment personnel to recognize excellence. The Douglas County Assessors office is a member of IAAO.

The stated purpose of the IAAO Code of Ethics and Standards of Professional Conduct is:

- 1) To establish guidelines for assessing officials and all members of the International Association of Assessing Officers (IAAO).
- 2) To set forth standards by which to judge an IAAO member whose conduct is in question.

According to the IAAO, "Adherence to the IAAO Constitution, Bylaws, Procedural Rules and Code of Ethics is the minimum standard of expected behavior."

Finding #2

The Assessors office policies do not include a Code of Ethics or a Conflict of Interest statement.

Recommendation

The preamble to the IAAO Code of Ethics and Standards of Professional Conduct declares, "We must do more, however, than simply obey the rules. We must embrace the spirit of the governing document...."

Douglas County Internal Audit Division (DCIAD) recommends the Douglas County Assessor include the IAAO Code of Ethics and a Conflict of Interest statement in the Assessor office policies.

Canon 3 of the IAAO Code of Ethics includes a Conflict of Interest statement that could be used as a model (see Appendix II, page 18)

Management Response

Although there is no formal policy with respect to potential conflicts of interest in terms of the assignment of neighborhoods to appraisers, those making appraiser assignments do not assign appraisers to value the neighborhoods they live in. Additionally, the nature of mass appraisal work involves the use of market data to develop "models" for different types of property that can be applied to all properties with similar characteristics in order to value the thousands of real estate parcels in Douglas County. Those models are

³¹ <http://www.iaao.org/sitePages.cfm?Page=70>

applied to all properties with similar characteristics. The appraisers are unable to exclude particular parcels within a group from the application of the model. Additionally, Realware, the computer assisted mass appraisal system used by the Assessor's office notes any valuation change to an item of real property and the assessor making the change. Finally, appraiser work is reviewed by the appraiser supervisors who look for instances in which the values set by the appraisers appear to be inconsistent with the neighborhood appraised. Instances in which an appraiser was trying to favor family members with preferential valuation treatment would create such inconsistencies.

As a means of avoiding conflicts of interest, the Assessor's Office has adapted a policy similar to the ethical rules of IAAO Canon 3 to be read and signed by each appraiser in the office.

DCIAD Response

DCIAD received Assessor office employees signed copies of the newly adopted³² conflict of interest policy declaration at the audit exit. DCIAD will review procedures implementing the new policy during the audit follow-up process.

³² All copies were dated April 21, 2008

Information System Security Policies

The Douglas County Assessors office relies on several information management systems to accomplish office functions.³³ During our audit DCIAD conducted a review of information systems that included examining compliance with system security policies, evaluating appropriate user and remote access, and verifying fixed assets.

DCIAD found that information management and computer security within the Assessors office, and within Douglas County, is not comprehensive or well coordinated.

The office has contracted with Applied Data Consultants (ADC), a full service Geographic Information Systems (GIS) firm headquartered in Eau Claire, Wisconsin, for GIS program support.

DCIAD requested, and ADC provided, comprehensive data security polices and explained an updated Server Security Policy would go into effect May 1, 2008 when they move to a new state of the art server facility. Progent, a San Francisco-based company provides additional services to ADC, including auditing and electronic monitoring.

The Assessors office information technology staff provided additional office policies for E-mail and General Computer Use and explained the office follows DOT.Comm's³⁴ Information Services Security Policies; however, the office was unable to provide a copy of the security policies. DCIAD contacted DOT.Comm and requested a copy of their security policies.

DOT.Comm staff stated they were instructed by management to refer DCIAD to the Douglas County Risk Managers office. DCIAD contacted the county risk manager and asked for, "the Douglas County information system security policies for the County."

DCIAD received a copy of the Douglas County HIPPA Security Policies and Procedures and the resolution, passed April 12, 2005, by the Douglas County, adopting the policies. The HIPPA resolution also included the following language, "***Be it further resolved that the attached DOT.Comm security policies are also hereby adopted by this Board, to the extent that those policies do not conflict with the attached Douglas County HIPPA security policies.***"³⁵

DCIAD examined the adopted security polices, *DOT.Comm Information Security Policies Version 2.5*, and found it was reasonable to conclude DOT.Comm is responsible to develop and maintain security procedures for county departments. However, the entity does not follow many of the policies referenced and does not employ an Information System Security Risk Manager, a position frequently mentioned in the policies.

Management at DOT.Comm is on record saying³⁶, "a Security Risk manager is unnecessary," and just recently stated the security polices were never adopted by the

³³ Realware, Oracle

³⁴ Douglas County information systems service provider

³⁵ DOT.Comm Information Security Policy, Version 2.5, was attached.

³⁶ DCIAD record of phone conversation with DOT.Comm Client Services Manager on September 9, 2005

DOT.Comm Board³⁷, however, there is evidence to show the policies were approved by DOT.Comm's Chief Information Officer on September 8, 2003.

The adopted security polices also state,³⁸"Formally documented security procedures must be developed, disseminated, and maintained," and directs, "**All computer systems must be periodically audited for compliance with Information Security policies. Senior Manager, Risk management staff, or an independent third-party must perform these audits at least once per year.**"³⁹ In addition to these two requirements, Section 14.6 commands, "**Independent review of the compliance with the information security policies and standards must be performed. This includes both a review of the policies, practice and standards and an audit of the way those policies, practices and standards are followed.**"

Finding # 3

The information security policies in the Assessors office are insufficient, largely due to a reliance on DOT.Comm for security guidance and support. DOT.Comm has not complied with the Information Security Policy approved by their CIO in September, 2003, and formally adopted by the Douglas County Board in April, 2005.

Recommendation

The Assessor's office can not, and should not, rely on DOT.Comm to perform essential information system security functions, including disaster recovery or business continuity planning for the Assessors office.

DCIAD recommends that the Assessors office prioritize system security and immediately develop, and disseminate to all staff, written security policies and procedures. Written policies and procedures will help ensure all employees are taking measures to properly secure and protect the information entrusted to them.

Since DOT.Comm, the county agency charged with implementing system security, has not provided standards for developing an inter-department security program, DCIAD suggests the Assessors office use a nationally recognized security standards model.

There are several nationally recognized best practices standards; the International Organization for Standardization⁴⁰ (ISO); the National Institute of Technology⁴¹ (NIST); and Control Objectives for Information and related Technology⁴² (COBIT). The Federal Information and Security Management Act of 2002⁴³ (FISMA) requires that all federal government agencies use NIST standards.

The Assessors IT staff should also be aware of, and adhere to, the Land Record Information and Mapping Standards issued by the Nebraska GIS Steering Committee.⁴⁴

³⁷ Email to DCIAD from DOT.Comm Management on March 11, 2008

³⁸ Page 29, Section 14.3

³⁹ Page 29, Section 14.4

⁴⁰ <http://www.iso.org/iso/about.htm>

⁴¹ <http://www.nist.gov/>

⁴² Best practices for information technology management created by the Information Systems Audit and Control Association (ISACA)

⁴³ http://en.wikipedia.org/wiki/Federal_Information_Security_Management_Act_of_2002

⁴⁴ Neb. Rev. Stat. § 86-572(2c) , 89-516(6) <http://www.nitc.state.ne.us/standards>

Management Response

The Douglas County Assessor's Office, like all governmental units, has finite resources in terms of money and staff. While there may be shortcomings in the current system with respect to computer issues, the Assessor's Office is committed to trying to achieve the best possible results with the resources available to it. However, in an effort to improve its information security, the Assessor's Office would be interested in receiving and reviewing the security policies of other offices, such as those of the County Clerk, if those offices have adequate security policies, with the intent of adapting those policies to the Assessor's Office.

DCIAD Response

Electronic links to nationally recognized best practice standard sites recommended by DCIAD have been provided in previous footnotes.

Requests for security policies of other Douglas County agencies should be made directly to agency management.

FINAL

**2007 Opinions of the Property Tax Administrator
for Douglas County**

My opinions and recommendations are stated as a conclusion based on all of the factors known to me about the assessment practices and statistical analysis for this county. See, Neb. Rev. Stat. §77-5027 (R. S. Supp., 2005). While I rely primarily on the median assessment sales ratio from the Qualified Statistical Reports for each class of real property, my opinion of level of value for a class of real property may be determined from other evidence contained in the RQ. Although my primary resource regarding quality of assessment are the performance standards issued by the IAAO, my opinion of quality of assessment for a class of real property may be influenced by the assessment practices of the county assessor.

Residential Real Property

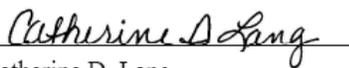
It is my opinion that the level of value of the class of residential real property in Douglas County is 97% of actual value. It is my opinion that the quality of assessment for the class of residential real property in Douglas County is in compliance with generally accepted mass appraisal practices.

Commercial Real Property

It is my opinion that the level of value of the class of commercial real property in Douglas County is 96% of actual value. It is my opinion that the quality of assessment for the class of commercial real property in Douglas County is in compliance with generally accepted mass appraisal practices.

Dated this 9th day of April, 2007.




Catherine D. Lang
Property Tax Administrator

Appendix I – page 2

2007 Commission Summary

28 Douglas

Commercial Real Property - Current

Number of Sales	1130	COD	16.98
Total Sales Price	\$ 936055662	PRD	103.46
Total Adj. Sales Price	\$ 957294269	COV	32.35
Total Assessed Value	\$ 886224154	STD	30.98
Avg. Adj. Sales Price	\$ 847163.07	Avg. Abs. Dev.	16.25
Avg. Assessed Value	\$ 784269.16	Min	10.00
Median	95.73	Max	622.24
Wgt. Mean	92.58	95% Median C.I.	94.98 to 96.41
Mean	95.78	95% Wgt. Mean C.I.	90.48 to 94.67
		95% Mean C.I.	93.97 to 97.58
% of Value of the Class of all Real Property Value in the County			33.64
% of Records Sold in the Study Period			7.89
% of Value Sold in the Study Period			8.98
Average Assessed Value of the Base			689,260

Commercial Real Property - History

Year	Number of Sales	Median	COD	PRD
2007	1130	95.73	16.98	103.46
2006	1456	95.26	19.73	105.71
2005	1,143	96.88	46.84	114.17
2004	1182	95.43	31.05	104.53
2003	1,187	95	36.03	104.21
2002	1,109	96	28.15	100.5
2001	1,187	98	22.33	106.02

Appendix I – page 3

2007 Commission Summary

28 Douglas

Residential Real Property - Current			
Number of Sales	21854	COD	10.90
Total Sales Price	\$3556932750	PRD	103.39
Total Adj. Sales Price	\$3558823457	COV	26.64
Total Assessed Value	\$3457685514	STD	26.75
Avg. Adj. Sales Price	\$ 162845.40	Avg. Abs. Dev.	10.53
Avg. Assessed Value	\$ 158217.51	Min	19.35
Median	96.59	Max	705.00
Wgt. Mean	97.16	95% Median C.I.	96.50 to 96.68
Mean	100.45	95% Wgt. Mean C.I.	96.98 to 97.33
		95% Mean C.I.	100.09 to 100.80
% of Value of the Class of all Real Property Value in the County			76.03
% of Records Sold in the Study Period			12.49
% of Value Sold in the Study Period			15.5
Average Assessed Value of the Base			127,461

Residential Real Property - History				
Year	Number of Sales	Median	COD	PRD
2007	21854	96.59	10.90	103.39
2006	21156	95.28	13.06	104.93
2005	19835	96.02	13.21	103.12
2004	19568	94.24	14.62	102.71
2003	19,023	94	12.93	101.98
2002	17,448	93	103.09	101.35
2001	19,023	94	12.07	101.19

Appendix II

International Association of Assessment Officers Code of Ethics: Canon 3:

Conflict of Interest

Members shall not engage in any activities in which they have, or may reasonably be considered by the public as having, a conflict of interest.

Ethical Rules

ER 3-1 It is unethical for members to accept an appraisal or assessment-related assignment that can reasonably be construed as being in conflict with their responsibility to their jurisdiction, employer, or client, or in which they have an unrevealed personal interest or bias.

ER 3-2 It is unethical to accept an assignment or responsibility in which there is a personal interest without full disclosure of that interest.

ER 3-3 It is unethical to accept an assignment or participate in an activity where a conflict of interest exists and could be perceived as a bias, or impair objectivity.

DCIAD Staff participants in Douglas County Assessor audit, FY 2007/2008 - #05

Kate Witek
Internal Audit Analyst
Primary Auditor

Carmen Harmon
Internal Audit Supervisor

Audit FY 2007/2008 - #05 was released on April 28, 2008