AUDIT GUIDELINES

FOR

ACD FIELD PERSONNEL

Effective: March 1\textsuperscript{st}, 2017

ASSESSMENT COORDINATION DEPARTMENT

STATE OF ARKANSAS

Bear Chaney, Director
# AUDIT GUIDELINES FOR ACD FIELD PERSONNEL

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AUDIT GUIDELINES FOR ACD FIELD PERSONNEL

GENERAL INFORMATION

These items of information apply to the content of these guidelines in total and are for the information and instruction of the auditor, Assessor, Appraisal Manager, appraiser and other members of the public.

SUBJECT AND APPLICATION

Audit Guidelines for Field Personnel

These audit procedures are intended to serve as guidelines. The procedures may be modified or adjusted as necessary to fit unusual or unanticipated circumstances, subject to prior approval of the ACD Director, Deputy Director, Field Operations Division Administrator, or other authorized ACD Staff.

Note: ACD office personnel also have performance audit responsibilities, generally in the form of ratio studies or other analyses. See Rule 4.04.1 of the Assessment Coordination Department’s Rules and Regulations.

EFFECTIVE DATE

March 1, 2017 (Current Revision)
July 1, 2004 (Original Edition)

PURPOSE

In accordance with Arkansas Code 26-26-1904 (3) (6) and 26-26-1907 (c) (d), ACD auditors must periodically evaluate reappraisal progress and performance:

26-26-1904. The objectives of this subchapter are as follows:

...(3) To establish planning and quality assurance guidelines in each county to ensure that all laws and regulations are met, standards of appraisal accuracy are maintained, work is finished on time, and staff and resources are used wisely;

...(6) To ensure that all funds expended by the state for reappraisal services are monitored by the department and only that progress and performance of those services as measured by the
department to be within the guidelines established by the department are to be compensated by
the state.

26-26-1907. Arkansas Real Property Reappraisal Fund:

...(c) The fund proceeds shall be distributed monthly, except when there is a determination by the
department that proper reappraisal procedures established by the department are not being
followed.

...(d) Based on its expertise and the criteria and requirements set forth in this subchapter, the
department shall establish by rule the findings that indicate proper reappraisal procedures are
not being followed.

The primary purpose of these guidelines is to help ensure the above statutory requirements are
met for reappraisal performance, and to ensure all other statutory requirements relating to the
assessment of property are met throughout the state.

ACD AUDIT STAFF

The ACD Real Estate and Personal Property Audit Staff consists of:

Field Operations Division Administrator (Administrator)
Field Operations Managers (Managers)
Property Assessment Auditor Supervisors (Supervisors)
Property Assessment Auditors (Auditors)
Office Support Staff (Office)

(Note: ‘Auditors’ used as a general term will be intended to refer to both Supervisors and Auditors.)

GENERAL AUDIT PRACTICES

Reappraisal performance must conform to the ACD Rules and Regulations, and quality of work
should be at a level commensurate with that which meets current standards of the International
Association of Assessing Officers.

The ACD supervisor or auditor shall send an e-mail to the Assessor and the Appraisal Manager
during the week preceding a planned Phase 1 or Phase 2 performance audit, unless otherwise
directed, and shall copy the Administrator and managers. If the Assessor or Appraisal Manager
requests a delay, auditors should attempt within reason to accommodate the request and the
delay shall granted for good cause.
Auditors will monitor reappraisal progress and performance, as well as other pertinent functions of the Assessor’s office. These typically include deed entry, changes in ownership, homestead, sales validation, personal and business personal property, and other functions of the assessor’s office that relate to property valuation and assessment. Any problems noted by a member of the audit staff shall be reported to the Division Administrator in a timely manner.

Auditors shall wear a visible state identification badge when on duty. An ACD magnetic sign shall be placed on both sides of any vehicle while being used in the field for audit. All audit staff will provide an ACD-issued business card, containing the auditor’s personal name and agency contact information, when requested by any member of the public.

An annual production schedule of each auditor’s planned tasks for the upcoming year will be prepared and turned in to the Division Administrator each December. This tentative annual schedule will be subject to approval by the Division Administrator and shall be provided for public viewing on the ACD website with the understanding that it is subject to revision without advance notice as required to meet the needs of the agency.

In addition to performing the audits described in these guidelines, auditors will perform special audits as directed by the Division Administrator.

All work done by ACD field personnel is subject to being reviewed by supervisors, managers, and the Administrator. Results will directly affect the performance evaluations of those being reviewed. (See: AUDIT QUALITY ASSURANCE PROCEDURES, page 38)

It is required of each auditor that an exit interview be conducted with both the Appraisal Manager and Assessor at the conclusion of each audit. If no problems are noted in the audit, this will be done by an email (copied to the Assessor, Appraisal Manager, and ACD). If there are major issues, the auditor shall meet with them both in person together at the Assessor’s office to discuss the general areas of concern. All communication regarding scheduling exit interviews shall be done by e-mail, giving at least one week’s notice prior to the meeting date requested, with all parties (Assessor, Appraisal Manager, and ACD) copied on it. Following the exit interview, it is required that the auditor will send an e-mail relating the topics discussed, copied to the Assessor, Appraisal Manager, and ACD (supervisor, manager, Administrator, etc.).

All field auditors will ensure that in communications with Assessors, designated staff contacts, or contractors, it is made clear that no audit final results may be given by the auditor. Only preliminary and cursory findings of a general and topical nature and examples of such will be available for discussion, and no audit forms or reports will be provided by an auditor, supervisor, or manager unless expressly and specifically directed by the ACD Director, Deputy Director, Legal Counsel, or Division Administrator.
All digital copies of audit documents will be delivered to the office upon completion and the physical audit folders will be delivered to the office by the auditor in a reasonable and timely manner. To conserve mileage and time, it is expected that the auditor will return files when in the office in the regular course of business (given that is at least monthly) or request that another auditor or manager return the file on their behalf. In the case of audits that contain excessive errors, it is necessary that the folder be submitted to process the results, and those should be returned as immediately as practicable. For the purposes of the auditor’s work schedule, the Audit is not considered complete until the digital files are submitted to the office. (The process of submitting physical files to the office will expire upon notice from ACD and will be replaced with a procedure to scan and digitally deliver the files.)

It is the Assessment Coordination Department’s strict policy that only the Director, Deputy Director, Legal Counsel, or Division Administrators have authorization to discuss the status of a reappraisal, reimbursements, or compliance issues with county officials or contractors. This policy is designed to protect field auditors from having to discuss matters when they are not fully aware of all the facts. In addition, auditors are not authorized to discuss their opinions of any county official or contractor, their records, work, or employees. When dealing with the public, auditors shall refer all assessment inquiries to the county Assessor’s office. Auditors are the representatives of ACD to the Assessors, contactors, and the public, and as such will exhibit courteous and professional conduct at all times.

**RECORDS**

Use all lower case letters and use the full county name. The date should be the final date that the audit, including all paperwork, is completed. Use the surname of the auditor responsible for the record. Dates should be expressed without placeholders, for example 9-1, not 09-01 and full current year in place of 20xx.

**FILE NAME FORMATS:**

- PA Sample Regular Phase 1 Performance Audit 20xx county 9-1 auditor pa
- PA and Ratio Study Sample Ag 20xx county 9-1 auditor pars ag
- PA Sample Special Audit 20xx county 9-1 auditor pa sp
- Business Personal Sample - Spreadsheet 20xx county 9-1 auditor bp
- Internal Field Audit Sample Phase 1 20xx county 9-1 auditor ifa
- PA Summary Worksheet Phase 1 20xx county 9-1 auditor pa sum
- Internal Field Audit Summary Worksheet Phase 1 20xx county 9-1 auditor ifa sum
- Narrative (any) 20xx county 9-1 auditor narr
- Data Collection and Data Entry Audit 20xx county 9-1 auditor dcde
- Valuation Audit A 20xx county 9-1 auditor val a
- Valuation Audit B 20xx county 9-1 auditor val b
Valuation Audit C 20xx county 9-1 auditor val c
Valuation Audit D 20xx county 9-1 auditor val d
Ownership Record & Sales Information Audit 20xx county 9-1 auditor orsi
Sales Validations Audit Sample 20xx county 9-1 auditor sv codes
Sample Size Worksheet 20xx county 9-1 auditor ssw
Business Personal Performance Audit Form 20xx county 9-1 auditor bpf
Other Files (sp1, sp2, etc. unless otherwise directed.) 20xx county 9-1 auditor sp1
Scanned & Uploaded Samples (no auditor name) 20xx county 9-1 pa sample
20xx county 9-1 bp sample

FOLDER NAME FORMATS:

A folder is required when the audit consists of more than one file.

Regular Phase 1 Performance Audit 20xx county 9-1 auditor pa
PA and Ratio Study Ag Audit 20xx county 9-1 auditor pars ag
Special Performance Audit 20xx county 9-1 auditor pa sp
Valuation Audits A and B 20xx county 9-1 auditor val a-b
Valuation Audit C 20xx county 9-1 auditor val c
Valuation Audit D 20xx county 9-1 auditor val d
Business Personal Audit 20xx county 9-1 auditor bp
Other Folders (unless otherwise directed) 20xx county 9-1 auditor sp
Any Audit Return Trip (add ‘ret’) 20xx county 9-1 auditor pa ret

The Data Collection and Data Entry Audit, Ownership Record & Sales Information Audit, and Internal Field Audit are normally a part of a Phase 1 Performance Audit and should be turned in as files in that folder. Turn Valuation Audits A and B in together and include a single narrative. Turn Valuation Audit C in separately, as well as Valuation Audit D.

Create and use the following paths (Create new 20__ folders each year where indicated):
C:\0000 audit history and files\0000 audit files\20xx audit files\folder name\file name
C:\0000 audit history and files\20xx audit history auditor.xls (example)

MEETINGS

ACD will conduct Field Staff Meetings on a regular basis, with a consideration toward need (but at a minimum of quarterly), to ensure that field staff are fully informed of the current status of the audit Division, of upcoming changes, and to allow for sharing of information among the field staff. The time of year should be taken into account, to allow the field staff to gather, discuss, and share information as the audit phases progress to allow for discussion of upcoming
work, the results of recently completed audits, and review the current progress and status of
the annual audit schedule.

**ACRONYMS**

ACD – Arkansas Assessment Coordination Department
CAMA – Computer-aided Mass Appraisal
PA – Performance Audit
ORSI – Ownership Record and Sales Information Audit
DCDE – Data Collection and Data Entry Audit
IFA – Internal Field Audit
MPR – Monthly Progress Report
FIELD AUDIT PROCEDURES

Section One: REAL ESTATE

Part One: OWNERSHIP RECORD AND SALES INFORMATION AUDIT (ORSI)

From the Rules and Regulations:

Rule 3.24 ...The ACD will periodically enter each county during both phase one and phase two of the county’s reappraisal to conduct a performance audit (hereinafter designated as a PA). The purpose of these audits will be to ensure the reappraisal progresses as planned in a systematic and accurate fashion, and to determine if generally accepted methods and techniques are being uniformly employed...

Rule 3.25 ...The PA will measure both the quantity and quality of the following: entry of general appraisal information, collection and entry of field data, and entry of sales information.

Rule 3.25 ...All warranty deeds which contain sales information helpful in the appraisal process must be entered into the county’s CAMA system. Deed entries must include sale date, book and page, revenue stamps or sale amount (if any), and grantor/grantee information.

Rule 3.25 ...The appraisal manager will assure that a reasonable attempt is made to obtain sales price and confirm validity of all warranty deeds.

Rule 3.27 ...Entries of sales information will be audited during both phase one and phase two.

Rule 3.30... The ACD will periodically audit entry of sales information during both Phase 1 and Phase 2 of the reappraisal. All deeds which necessitate a change of name or legal description that are more than 30 days past their filing date must have been entered into the county’s CAMA system. Errors and/or omissions shall not exceed 5% of the total entries.

During each performance audit and at other times as determined by ACD, field crews will audit CAMA input of deed changes. Verification and accuracy of input will normally be accomplished by comparing a computerized printout of deed changes for the past three months to all recorded deeds in the deeds recorded for that period. Alternate methods of verification, including selection of a random sample of deeds from the recorded deeds, are acceptable as long as appropriate documentation is maintained.
I. Obtain Printout

Auditors will obtain a printout from the Assessor’s office of all deed changes for three months prior to the current 30-day period (using a Request for Records form if necessary; keep the original Request for Records form in the audit folder, and submit a copy to the Assessor’s office; when the printout is received, list the received date on the original form). The printout should array deed changes by book/page and should list book/page, actual or recorded sale date, revenue stamps or sale price (if any), legal description, and grantor/grantee information.

Full names for each grantor/grantee are recommended but not required. As long as grantee names are listed, the requirement for grantor/grantee information is satisfied.

If a printout is unavailable, auditors will select from the Recorder’s records a random sample of twenty-five deeds that have been recorded more than 30 days prior, but within the past three months. Enter required information on the Deed Changes form. Enter the parcel numbers as they are determined. (The Deed Changes form only needs to be used when the printout of deed changes is unavailable.)

II. Verify Progress

Auditors will compare the recorded deeds to the printout to determine if all deeds more than 30 days past their filing date have been entered into the CAMA system. If a printout is unavailable, auditors will use the list of recorded deeds or Deed Changes form and check the computer or parcel cards to make this determination.

III. Verify Accuracy of Input

Auditors will verify accuracy of input of twenty-five deeds. The error rate for input of deed changes should be 5% or less. Any one or combination of errors from one deed will result in one total error. Individual parcels of multi-parcel deeds with omissions due to data entry not being current should not be counted as individual errors when determining the error rate for input of deed changes; deed errors should be counted as deed-based, not parcel-based. Deed change errors will be noted with red pen or pencil on the printout or on copies of parcel cards representing the sample if a printout was unavailable. Copies of parcel cards for the samples listed on the Deed Changes form are needed only for those cards with errors or those for which deed change entry is not current.

If during the course of the ORSI audit the 5% error rate is found to be exceeded, the auditor shall review the lesser of 50 deeds or the entire deed file. If the larger sample is found to exceed the 5% error rate, the larger sample and errors will be reported as normal.
IV. Homestead Credit Application/Sales Verification Form

Annually (in the first audit of each year) by viewing a sample of returned and completed forms, Auditors will verify that a Homestead Credit Application/Sales Verification form is being utilized by the office that complies with Rule 4.20 including content equivalent to ACD Form A-18.

V. Complete Audit

Following the exit interview procedures, Auditors will inform the Assessor and the Appraisal Manager of preliminary audit results. This will include general notification of any incorrect methods and techniques uncovered during the audit and any categories with excessive errors/omissions. This advance notice is given so that the county or appraisal firm can have a chance to provide an explanation or begin corrective action immediately if it so desires.

The auditor will explain that:

The audit at this point is a work in progress and is unofficial.
The audit must be reviewed by ACD Administration and may not represent final results.
That ACD office personnel at this point are not in a position to discuss audit findings.

No copies of any completed audit forms should be distributed at this time.

VI. Write and Submit Audit Documentation

ACD auditors will complete the Ownership Record and Sales Information Audit form.

Auditors will update their audit history spreadsheet, e-mail audit reports (usually in the Phase 1 Performance Audit folder) to the Administrator and his/her assistant, and deliver the audit documentation to the ACD office.

The printout or a portion of the printout of deed changes should only be sent in when one of the following situations exists:

1) If non-compliance relating to accuracy is indicated, send in the entire printout.
2) If non-compliance relating to progress is indicated, send in the page of the printout listing the most recent input of deed changes.

If a non-compliance relating to progress is indicated, send in at least four copies of parcel cards for which deed change entry is not current. These can be copies already made of samples listed on the Deed Changes form.
The Division Administrator will review audit results and issue final audit results within 30 days of submission of the audit file to the Office, verifying accuracy of audit returns and errors, making corrections for any inconsistencies, consulting with auditors and managers regarding any variances as needed. The Assessor and the Appraisal Manager will be notified of the results and the Assessor or Appraisal Manager will have up to 30 days to respond.

If there is a need for further review, after 30 days auditors will return to complete the audit.

Once further review is complete, the Assessor and the Appraisal Manager will be notified by the ACD Director.

If a determination of non-compliance has been made, funding will be withheld and the notification will include a *Compliance Verification* form and an opportunity for a hearing.

Auditors will verify corrected procedures and any other necessary corrective action at the appropriate times.

Withheld funds will be released and payments will be resumed if the ACD determines the reappraisal is back in compliance.

**Part Two: MONITORING REAPPRAISAL PRODUCTION**

From the *Rules and Regulations*:

**Rule 3.20** ... The appraisal manager will send by electronic transmission to the ACD, by the twentieth (20th) day of each month, a progress report detailing reappraisal progress made from the twentieth (20th) of the preceding month through the nineteenth (19th) of the current month. The progress report will be on a specific form prescribed by the ACD. The reappraisal manager will provide a copy of the progress report to the county assessor and the county judge, and upon request to the board of equalization and quorum court each month.

**Rule 3.30** ...Phase 1 completed parcels are those which have had data collection/review and data entry. Phase 2 completed parcels are those for which valuation and corresponding entry into the CAMA system is complete. The cumulative number of parcels which are Phase 1 complete must be at least 90% of planned progress unless sufficient reason is provided on the monthly progress report and approved by ACD. For each property type, valuation must be complete for at least 50% of the parcels, subject to minor revisions, by April 19th of the valuation year...

Monthly progress reports initiate the performance audit process. Each monthly progress report delivered to the ACD will be reviewed for accuracy and clarity. Reports will be returned for correction if necessary. Reports will be placed in the performance audit folders.
Monthly progress reports should list geographical areas worked and the number of Phase 1 or Phase 2 completed parcels for that month, with the breakdown normally being by subdivision and/or section. If only part of a subdivision or section has been completed, a more precise listing is required, such as a listing by parcel number or parcel number range. If an entire city has been done, a breakdown by subdivision is not necessary. Completed work can also be identified by exception. Should any monthly progress report not define completed progress sufficiently, auditors will make note of that fact in the comments section of their report and will request the needed additional information from the county or appraisal firm.

Each progress report will be compared to the planned geographic progress as detailed in the county’s reappraisal plan. Actual progress will be verified through proper sample selection and field review (Phase 1) or through the valuation audit (Phase 2). If work reported as complete is more than 10% behind planned progress or if actual progress is less than reported progress, the reappraisal will be considered out of compliance, unless duly reported with good cause and approved by ACD per Rule 3.30.

Phase 1 and Phase 2 refer to phases of the county’s reappraisal. Although Phase 1 and Phase 2 audits are generally distinct, some overlapping will occur. For example, auditing the entry of sales information is described as part of Phase 1, but will also occur during Phase 2. Also, pricing of flat items is part of valuation (Phase 2) but will be reviewed during data collection and data entry audits (Phase 1).

Always review the correspondence file when preparing for a performance audit. It can provide important information, including the need for follow-up action from a previous audit. Also, the ending date of the most recent audit can be found. Combined performance audit dates should cover all months completed, starting with January of the first year, with no gaps, even if no work was reported complete during particular months.

Part Three: PHASE 1 PERFORMANCE AUDIT

From the Rules and Regulations:

Rule 3.24 ...The ACD will periodically enter each county during both phase one and phase two of the county’s reappraisal to conduct a performance audit (hereinafter designated as a PA). The purpose of these audits will be to ensure the reappraisal progresses as planned in a systematic and accurate fashion, and to determine if generally accepted methods and techniques are being uniformly employed.

Rule 3.25 ...The PA will measure both the quantity and quality of the following: entry of general appraisal information, collection and entry of field data, and entry of sales information.
**Rule 3.25** ...Interior inspections of residences are not required and inaccuracies involving those items will not be regarded as errors for the purposes of the audit.

**Rule 3.30** ...For each performance audit, total errors and/or omissions must not exceed 5% for any general or specific element of the appraisal process.

**Rule 3.30** ...Failure to list a dwelling or other major improvement or placement of that improvement on the wrong parcel may not occur on more than 2% of the parcels.

**Rule 3.30** ...Individual perimeter measurements of one-story dwellings must be accurate within one foot. Estimated measurements will be allowed for additional levels and for items such as driveways or fences, but these estimates should be based on techniques resulting in reasonable accuracy.

**Rule 3.30** ...All real estate improvements must be listed on each property record card. Those improvements that are deemed to have no contributory value by the appraiser must be listed with minimal description and coded uniformly by CAMA providers. Dimensional elements of NCV improvements are optional. Failure to list all such improvements will be counted on the PA as an error.

Also see: **Rule 3.26 Design of Property Record Cards**.

Over the course of Phase 1, counties with fewer than 30,000 parcels shall receive no less than 8 performance audits and counties with more than 30,000 parcels shall receive no fewer than 12 performance audits. The simplest manner to administer these audits is to conduct two each year in smaller counties and three each year in larger counties. However, with variances in monthly production, audits should only be performed when there is sufficient production to conduct an audit. Auditors are responsible for assuring that performance audits are done in each of their counties as needed during Phase 1 years. The necessity and frequency of Phase 1 performance audits should be planned based upon the approved Planned Progress Report for each county. Return visits do not count as separate audits for these purposes. A final Phase 1 audit should be done on Phase 1 work completed during the valuation year. Additional audits may be completed as time allows and may be required as directed by the Division Administrator.
I. Organization of Performance Audit Files

Correspondence File - Keep correspondence in order by date, with the most recent correspondence to the front of this file. It is important that all correspondence letters remain in this file.

Performance Audit Master File - Keep the updated Reappraisal Information, the Request for Information, the Request for Updated Copies of Parcel Cards, and the list of county sales validation codes in this file.

Summary of Special Projects – A summary of elements unique to a particular county that are to be reviewed or monitored in addition to the typical reappraisal procedures.

Planned Geographical Progress Report

Monthly Progress Reports - Keep all monthly progress reports in this file and in order by date, with the most recent monthly progress report to the front of this file.

Ownership Record and Sales Information Audit

Data Collection and Data Entry Audit

Valuation Audit

Performance Audit Sample – Auditors will place documents in the Performance Audit Sample file folder in this order:

- Performance Audit Narrative
- Performance Audit Summary Worksheet
- Performance Audit Sample Spreadsheet Pages
- Sample Size Worksheet
- Working Copies from the Performance Audit
- Parcel Count
- Maps and Plats

II. Initial Review

The first visit to a county for a new audit is called initial review. When initial review indicates all categories checked are in compliance, the audit is considered complete. When preliminary results indicate further review is needed, auditors will return as directed (see ACD letter to county
or appraisal firm). The return visit will cover only the specific categories that need further review. A separate *Performance Audit Sample* form will be used for each category.

The priority of further review will be based on factors including but not limited to the error rate, available ACD resources, and significance of the problem. Findings refer to the specific components of the reappraisal that were audited, and do not verify compliance in all areas of the reappraisal.

Initial review for the final Phase 1 audit of a reappraisal will begin before April 20th of the valuation year unless otherwise directed.

The following information is needed in preparation for the data collection and data entry audit:

1) Correspondence File - Always review the correspondence file when preparing for a performance audit.
2) Completed Reappraisal Information
3) The planned geographical progress report
4) Monthly progress reports for the audit period
5) A copy of the office-provided sample.
6) Electronic data or detailed printouts as needed for selecting samples
7) Copies of updated parcel cards for the selected sample

**III. Select Sample**

ACD field auditors will pull appropriate monthly progress reports from the performance audit folder and verify that actual progress corresponds to planned progress. The *Sample Size Worksheet* will be used to determine or verify appropriate sample sizes. Samples used to audit data collection and data entry can be used to audit valuation if the parcels have been reported as both Phase 1 and Phase 2 complete. Phase 1 audits will be conducted only when at least 100 parcels have been reported Phase 1 complete during the months to be audited. The monthly progress reports and a random sampling technique will be used to choose samples, with the following stipulations:

1) Sample size for initial review will include 2% of improved properties completed during the audited period, or 100 improved parcels, whichever is greater. In addition, select a random sample of properties listed as vacant (5 to 10, if available) in or near the areas that have improved samples and check those for improvements. If 100 improved parcels aren’t available, substitute properties listed as vacant as necessary in order to bring the sample size to 100. *Contact the administrator for return trip sample size requirements*. Maintenance parcels will not be selected as part of the sample, but the county or appraisal firm is subject to a separate audit of those parcels as directed.
2) Select a representative sample of work done by each data collector or appraiser, including a minimum of 10 improved parcels each when available.
3) Select a representative sample of parcel types.
4) Select a representative sample of subdivisions and sections, and no more than 10 samples from any one subdivision or section.
5) Samples should be selected so that progress will be verified as well as quality of performance. To help in verifying progress, always select a portion of the samples from the most recent monthly progress report.
6) Verify that the selected sample includes work done by each data entry person.

Maintenance parcels and soil coding will be audited separately.

IV. Obtain Records and Other Information

Auditors will obtain needed records, preferably on site with no assistance. The records can be requested electronically (faxed or e-mailed) using the Request for Records form and/or the Updated Copies of Parcel Cards Needed form if a quick response is anticipated, but there should be no undue delay in obtaining the information. A new sample should be requested if the county or appraisal firm fails to provide copies of parcel cards needed within 24 hours.

Keep a copy of each request form in the Master File and list the date when the requested documents are received. Auditors will complete or update the Reappraisal Information form.

V. Verify Accuracy of General Data

General information entries will be checked for errors and/or omissions. Missing information or mistakes will be identified and corrected with red pen or pencil. Deed changes that occur after county or appraisal firm initial input must be entered within 30 days.

The following general data entries will be reviewed:

Type of Card – If in error
Legal Description – If omitted
Parcel Number – If omitted
School District – If omitted
Owner – If omitted
County – If omitted
VI. Verify Accuracy of Field Data

Auditors will use plats and/or maps to plan field review whereby travel time is minimized.

Field data falls into two primary categories: objective and subjective.

The Glossary for Property Appraisal and Assessment, IAAO, 2013, gives these definitions:

**Objective Data**—Objective data are variables for which the correct value can be verified. Examples include zoning, corner lot (yes or no), land area, and front feet.

**Subjective Data**—Subjective data are items for which the proper value is a matter of judgment and more difficult to verify. Examples include construction class, condition, effective year built, neighborhood desirability, and view.

Therefore, objective data are things that can be directly gathered from the site (including measurements, quantities, and facts relating to construction and removal of structures) and subjective data are things that must be determined from judgement, professional knowledge, and educated opinion. These may involve analysis of objective items, but ultimately lead to a subjective conclusion. These may include (but are not limited to) quality, grade, effective age or REL, and flatted or rated values. When judging the accuracy of subjective items, the auditor will make every effort to see the property from the point-of-view of the appraiser and will make allowances for these items, as long as they can be judged to be reasonable and acceptable.

The auditor will review data collection and data entry of all samples. Missing information or mistakes will be identified and corrected with red pen or pencil. Auditors will initial and date the back side of each parcel copy. If more than one auditor performs review, the one making the subjective calls shall list his/her initials first.

**Objective Elements**

If failure to list a dwelling or other major improvement or placement of that improvement on the wrong parcel occurs on more than 2% of the samples, contact the field operations Administrator for return trip sample size requirements. Those parcels will be field checked for similar major improvement problems only.

Dimensions will be checked by visual inspection, including a view of all sides of the structure when possible. When it is not possible or unsafe to view all sides of the dwelling, it should be noted on the field card. Use a tape or laser measurement device to verify measurements of major improvements on a minimum of 50% of the samples. Individual perimeter measurements of one-
story dwellings must be accurate within one foot. Estimated measurements will be allowed for additional levels and for items such as driveways or fences, but these estimates should be based on techniques resulting in reasonable accuracy. The only exception will be significant outbuildings (500+ sq. ft.) and yard improvements (one item 10%+ of total property value) will be audited to dwelling standards as relates to measurement, grading, and depreciation.

Measurements of six feet or less can be confirmed by visual inspection, but all errors of dimension detected by visual observation must be verified with tape measurements.

It is the auditor’s responsibility to verify compliance and auditors are expected to measure structures as completely as necessary to ensure reasonable measurement accuracy. For example, as long as all sides have been viewed, it may be sufficient to measure a rectangular dwelling on two sides, but a dwelling with several cuts and angles may require more measurements to ensure accuracy.

On the Performance Audit Sample form, indicate measured samples in the appropriate column next to the corresponding reference number and record an M next to the reference number marked in the upper portion on the face of the Property Record Card.

On the reverse of the Property Record Card, circle all dimensions that are checked with tape measurements. All errors/omissions over one foot should be noted in red and transferred to the Performance Audit Sample form and the Performance Audit Summary Worksheet.

Do not count measurements of omitted items as measurement errors, do not count measurements wrong if they are caused by omissions, and do not compound a measurement error when the same single measurement occurs on a corresponding side.

Changes that occur after county or appraisal firm data collection should not be counted as errors or omissions.

Errors of omission or inclusion and coding errors shall be totaled under the appropriate category on the Performance Audit Summary Worksheet.

When inconsistencies are found, explain on the Data Collection and Data Entry Audit form.

Take a photograph of the front profile of every property measured and of any major errors that are noted. This will help in any illustrations of an error in review and allow the auditor to document their work as it is conducted.
Subjective Elements

Grade and effective age of residential properties must be determined by appraisers that are level 2 or higher. Grade and effective age of commercial properties must be determined by appraisers that are level 3 or higher. (See Rule 3.47.1 and 3.47.2 for other minimum qualifications for appraisal tasks.)

A certain amount of variance among appraisers regarding estimates or subjective items such as grade and effective age is considered normal. However, there must be limits on allowable variances; otherwise, appraisal accuracy can be severely compromised with no consequences.

ACD auditors will list differing opinions on the sample copies, even when variances are within acceptable ranges. However, variances regarded as acceptable will not transfer to the Performance Audit Sample form except for grade, remaining economic life, or agri estimates. If the appraiser is staying within guidelines but consistently deviates from the norm and/or creates inequities, the auditor should provide that information with a generalized statement in the comments section of the Performance Audit Sample form. Appraisal Managers and ACD should analyze differences and there should be a continuing effort to develop uniformity of opinions, thereby improving both appraisal and audit accuracy.

ACD has adopted specific guidelines regarding estimated or subjective entries. These should not be considered minimum desired levels of achievement, since tolerance levels are necessarily lenient due to the subjective nature of each category. Again, on these items, the auditor will make every effort to see the property from the point-of-view of the appraiser and will make allowances for these items, as long as they are reasonable and acceptable.

<table>
<thead>
<tr>
<th>Grade:</th>
<th>tolerance within one grade is acceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation:</td>
<td>agreement of opinion within 15%±</td>
</tr>
<tr>
<td>Flatted Items:</td>
<td>agreement of opinion within 25%±; physical measurement not audited (values are part of Phase 2 but audited with Phase 1).</td>
</tr>
<tr>
<td>Land Use:</td>
<td>Correctly listed; agricultural, residential, commercial, industrial, etc.</td>
</tr>
</tbody>
</table>

In summary, appraisal work must be consistent and the appraisal process must employ logical and generally accepted methods and techniques that are necessary to produce credible appraisals.

An error rate of up to 5% is allowed for subjective entries counted as errors. Error rates are not applicable to improper methods or techniques.

Items such as closed piers, slab on grade, elevated slab, open porch, half open porch, flue, fireplace, and exterior walls can involve judgment calls to some extent and differences should be
noted on the parcel card copies but should only be listed in comments on the Performance Audit Sample pages when the call is clearly incorrect.

Even though all real estate improvements must be listed, including NCV items, realistically the amount of detail needed is a judgment call. For example, you wouldn't expect one linear foot of 6' wood fence, or a rural mailbox, to be listed. Auditors should include comments on the Performance Audit Sample pages about omissions only when those items clearly should be a part of data collection.

**Auditor Safety and Inaccessible Samples**

The ACD auditor should make every effort to access properties for audit purposes including driving to the parcel, knocking on doors, speaking to owners, etc., but the auditor should also be mindful of their safety. In the event of locked gates, requests by owners or others to leave the property, impassible roads/driveways, etc. it may not be possible to view all properties in the sample. To preserve the integrity of the audit and the sample, procedures are being developed to allow the auditor to submit a list of inaccessible samples to the ACD office to be checked on aerial imagery.

**VII. Write Audit Documentation**

The *Performance Audit Sample* form will list samples in parcel number order by reference number. The reference number will be listed at the top right corner of the front of each parcel card copy with red pen or pencil. Auditors will use the comments section to list errors/omissions or other information. Comments are not normally needed for entries that the auditor disagrees with but which are acceptable, but these differences of opinion should be noted on the parcel card copy. A consistent problem of this nature can be addressed in comments at the bottom of the Performance Audit Sample form.

On the *Performance Audit Sample* form list errors, then omissions, then notes only, starting each group on a new row. Label errors with detail, such as: “FUD NOT MUD”, “OPEN PIERS NOT CLOSED”, etc. Label the other two groups “OMITTED” and “NOTE ONLY”.

Avoid comments that express opinion in an informal or unprofessional manner, such as: “They graded too low” or “Their effective ages were the worst I've ever seen.”

Be sure to check for placement of a major improvement on another parcel, such as an Improvement Only parcel when it appears that a dwelling, mobile home, etc. has not been picked up.
If Roof Type is a combination of types and the appraiser has one or the other, do not count it against them, but you can show the difference of opinion as a Note Only. If it's one type and the appraiser is obviously wrong, count it as an error.

If Exterior Wall is called Combination Masonry/Frame by the appraiser, and masonry wall is present to some degree, do not count it against them, but you can show the difference of opinion as a Note Only.

For excessive grade or effective age differences, use something similar to: “ACD GRADE D3+5/APR GRADE D4”, “ACD REL 75/APR REL 50”, etc.

Use the Performance Audit Summary Worksheet to list errors/omissions by category. Each category includes both the errors and the omissions for that category. All errors/omissions must be accounted for, but the category total is required only when errors/omissions in a single category exceed five. If any category is not represented on the Performance Audit Summary Worksheet, it is permissible to add a category as needed. Items over $2000 will not constitute a separate category.

Check for evidence of preferential treatment being given to any sale properties in the sample, such as re-inspection after the sale or inequitable assignment of grade or age.

VIII. Evaluate Performance

Reappraisal performance must conform to the Rules and Regulations, and quality of work should be at a level commensurate with that which meets current standards of the International Association of Assessing Officers. Any problem areas or deviations from generally accepted methods and techniques should be noted on the Data Collection and Data Entry Audit form.

IX. Verify Progress

Field review of properly selected samples will verify actual progress. If work reported as complete on the progress reports is inaccurate, explain on the Data Collection and Data Entry Audit form.

X. Complete Audit

Following the exit interview procedures, Auditors will inform the Assessor and the Appraisal Manager of preliminary audit results. This will include general notification of any incorrect methods and techniques uncovered during the audit, any categories with excessive errors/omissions, and a partial list of example parcels to illustrate the issues found may be
provided. This advance notice is given so that the county or appraisal firm can have a chance to provide an explanation or begin corrective action immediately if it so desires.

The auditor will explain that:

The audit at this point is a work in progress and is unofficial;
The audit must be reviewed by ACD Administration and may not represent final results;
ACD office personnel at this point are not in a position to discuss audit findings.

No copies of any completed audit forms should be distributed at this time.

The auditor will then summarize audit results and complete the production report on the narrative form.

ACD auditors will complete all forms related to Phase 1 audits and place documents in the Performance Audit Sample file folder in the prescribed order.

Once the audit is complete, auditors will update their audit history spreadsheet, e-mail audit reports to the Administrator and his/her assistant and deliver the audit documentation to the ACD office.

The Division Administrator will review audit results and issue final audit results within 30 days of submission of the audit file to the Office. If there is a need for further review, the Assessor and the Appraisal Manager will be notified and the county or appraisal firm will have up to 30 days to respond. After 30 days auditors will return, if necessary, to complete the audit. Once further review is complete, the Assessor and the Appraisal Manager will be notified by the ACD Director. If a determination of non-compliance has been made, funding will be withheld and the notification will include a Compliance Verification form and an opportunity for a hearing. Auditors will verify corrected procedures and any other necessary corrective action at the appropriate times. Withheld funds will be released and payments will be resumed if the ACD determines the reappraisal is back in compliance.

XII. Failure to Comply With Standards

The Director has the authority to require corrective action or declare the reappraisal to be out of compliance when standards are not met. Factors influencing the Director's decision include, but are not limited to the significance of the problem, the cause of the problem, and previous violations. When problems are considered minor, the normal process will be:

The county or appraisal firm will be notified of initial review results and given the opportunity to correct procedures if necessary.
When initial review for two consecutive audits indicates the same problem, further review will be conducted. If the completed audit indicates failure to meet standards, then ACD will require that future work meets standards.

Comprehensive corrections of past reappraisal work are normally not required for items considered minor. However, it is the duty of the county or appraisal firm to make such corrections individually as they are encountered, and any remaining errors/omissions must be corrected during the course of the next reappraisal.

If the subsequent audit indicates that standards still have not been met, the problem can become significant for compliance purposes and may result in a determination of non-compliance.

**Part Four: PHASE 2 PERFORMANCE AUDITS**

From the *Rules and Regulations*:

*Rule 3.24* ...The ACD will periodically enter each county during both phase one and phase two of the county’s reappraisal to conduct a performance audit (hereinafter designated as a PA). The purpose of these audits will be to ensure the reappraisal progresses as planned in a systematic and accurate fashion, and to determine if generally accepted methods and techniques are being uniformly employed.

*Rule 3.27* ...ACD auditors will review sales analysis and other procedures used in the development of overall values. This includes, but is not limited to, audits of neighborhood delineation, lot values, and location factors.

*Rule 3.27* ...Valuation entry fields on parcel cards will be checked for accuracy.

*Rule 3.27* ...Sales ratio studies will be utilized to audit final values.

*Rule 3.30* ...For each property type, valuation must be complete for at least 50% of the parcels, subject to minor revisions, by April 19th of the valuation year.

*Rule 3.30* ...For each performance audit, total errors and/or omissions must not exceed 5% for any general or specific element of the appraisal process.

Also see:  
*Rule 3.28.1*  Neighborhood Delineation for Residential Neighborhoods  
*Rule 3.28.2*  Neighborhood Delineation for Commercial Neighborhoods  
*Rule 3.28.3*  Neighborhood Delineation for Rural Areas
Phase 2 audits normally begin on or after April 19th of the valuation year, but they can begin anytime valuation is reported complete, or upon county or contractor written request if they are at least 50% complete and the auditor has Division Administrator approval. The following records are needed in preparation for Valuation Audits A, B, and C:

1) Agri samples/ratio study agri samples if an agri audit is necessary
2) Samples for audit of validation codes.
3) Correspondence File - Always review when preparing for a performance audit.
4) Updated Reappraisal Information
5) Planned Geographical Progress Report
6) Progress Reports – For the time period audited.
7) Documentation and access to information as needed enabling the auditor to accurately complete the valuation audit forms.
8) A copy of the current reappraisal database if requested by the ACD office

1. **Zero Sales Price Audit**

On or about April of the year preceding valuation, auditors will receive a prepared sample of sold properties indicating a zero sales price from the Administrator. This will preferably be conducted along with the next Phase 1 Performance Audit (or if time constraints require, may be done on its own). The auditor will compare the sample with copies of the corresponding deeds, to ensure that the deed truly indicates a zero sales price. Any variances will be reported to the Administrator on the sample spreadsheet and returned by e-mail.

2. **Parcel Consolidation Audit**

In July of the valuation year, auditors will receive a prepared sample of properties to determine what portion of combinable properties in a given county remain unconsolidated. This process will be conducted by a manager who will be assigned to assist auditors with the consolidation audit process and consult with the Administrator to ensure timely completion.

3. **Agricultural Audits**

Data collection/review and data entry for agricultural use parcels is considered complete when data collection/review and data entry of improvements has been done. However, audits of agri use/codes are done separately and are not a part of regular Phase 1 performance audits. Agri use determination by the counties, contractors, and auditors shall be done by visual inspection whenever possible. Determination of use by recent aerial photography may be used only when the subject property cannot be accessed by vehicle. Soil coding is done with soil maps. With proper software, the soil coding can be done on the computer using GIS.
Land Use and Soil Coding: tolerances will be based on a sliding scale. Exception: Omission of a soil code is an error. Compounded errors count as only one error. The county or contractor will be given the benefit of the doubt on hard to determine calls. The final decision of compliance or non-compliance will be determined by the director and will be based on whether or not a reasonable effort was made by the county or contractor to produce accurate results and whether or not final values reflect use of the proper schedule. Auditors must double check their calculations when use/code differences are excessive. Auditors will then double check the results. Auditors should make a note in comments when a discrepancy is due to an irregular section issue.

Ratio study agri samples will be worked in the valuation year either after the county or contractor has notified the Division Administrator that they have completed soil coding and have implemented the proper schedule of values for agricultural use parcels, or after they have sent in the final database for sales ratio purposes. Selected samples are used for both the ratio study and for a performance audit. For the ratio study, each parcel is a sample. For the performance audit, each use/code on those parcels is considered a sample.

The Field Auditor will select 100 random agricultural parcels. The appropriate number of random parcels shall be divided in accordance with the proportion of agricultural parcels per school district. Any prospective parcel to be excluded shall be recorded and validity of the exclusion must be documented.

Parcels for the agri audit shall be selected at random from all agri use parcels, not just those 20 acres and over or those 40 acres and over. Parcels can be either vacant or improved. For improved parcels, lot and improvement assessed values will be subtracted from overall assessed values for ratio purposes.

Use and soil coding will be reviewed and results will be entered on the Performance Audit Sample – Agri Only form. List each parcel only one time, but each use/code must have a separate reference number. The DIFF column and the ERROR/OMISSION column will be calculated by formula and are for office use only.

Auditors will include copies of the parcel cards as part of their paperwork, and they will verify implementation of the proper schedule of values for the county’s agricultural use parcels. They will ensure that the new assessment totals are listed on the parcel card copies, and they will also record auditor results and assessment totals (in red ink) on each parcel.

Next, auditors will update their audit history spreadsheet, e-mail audit results to the ACD Agricultural Division Administrator and the ACD Field Operations Administrator and his/her assistant, and deliver the audit paperwork to the ACD Agricultural Division Administrator. An
audit summary worksheet is not to be completed by the auditor but a narrative is required. Audit results will be reviewed and will follow the soil coding variance guidelines to determine compliance or non-compliance. The county or appraisal firm is subject to additional agri audits as directed.

4. Sales Validation Audit

Auditors will determine if validation codes are assigned to sale parcels and if confirmation sources are documented.

ACD will use sales coded as 01 (VS), 00 (UV), and 25 (VA) / 26 (AP) in its ratio studies. Audit samples will be selected from the warranty deed or special warranty deed sales coded as invalid.

The Sales Validation Audit, also known as Valuation Audit C, should be completed in the valuation year as directed, after the county or contractor has sent in the final sales database for sales ratio purposes.

The audit will include the use of both the Valuation Audit C form and the Sales Validations Sample spreadsheet. Auditors will be supplied with a random sample of coded sales to review. Codes for the samples represent final decisions and therefore are the codes to be audited.

Valuation Audits A and B should be turned in together with a single narrative. Valuation Audit C should be turned in separately.

Information on returned forms must be reviewed closely. Special Note: There are times when a family sale needs to be coded as valid. However, if the county or contractor policy is to automatically exclude all family sales, do not count that as an error.

Be sure to verify proper treatment of any personal property involved in the sales. If the sale involves personal property of significant but undeterminable value, 16 or PP is the proper code.

Use descriptive titles such as realtor, buyer, buyer (form), seller, etc. in the confirmation source column of the ACD form. List the specific name if no descriptive title is available. (Note: The word form used with buyer (form) refers to the Homestead Credit Application/Sales Verification form) If no confirmation source is listed and no other explanation is provided, enter not documented.

For auditors, an abstract or title company is not approved as a confirmation source unless the contact has firsthand knowledge of the individual sale.

Do not count it as an error if the coding is wrong but the sale is correctly called invalid.
5. **Special Commercial Valuation Audits**

A special commercial valuation audit may also be conducted in each valuing county. A memo will be sent to all auditors detailing the requirements of any special commercial valuation audits. Requirements may vary from year to year.

6. **Valuation Audits**

Valuation Audits A, B, C, and D will be conducted each year in counties completing reappraisal. Valuation Audit A is to be completed by the Appraisal Manager. Valuation Audit B is to be completed by the ACD auditor. Valuation Audit C is the Sales Validations Audit, also to be completed by the ACD auditor. Valuation Audits A, B, C, and D, any special valuation audits, and the sales ratio study are all considered parts of the overall valuation audit.

**Procedures:**

I. **Select Sample for the Valuation Audit**

Monthly progress reports and a random sampling technique will be used to choose samples for the performance audit. Valuation Audits A and B will be conducted only on parcels for which valuation has been reported as complete, with the following stipulations:

1) Review market areas and a representative sample of neighborhoods. Include commercial properties, if available.
2) Neighborhoods should be selected so that progress will be verified as well as quality of performance.
3) It is not necessary to use a *Sample Size Worksheet*. However, neighborhoods selected should include work completed by each person involved in the valuation phase.

II. **Obtain Records and Other Information**

Auditors will obtain needed records and other information, preferably by asking the Appraisal Manager pertinent questions and obtaining documentation as needed. There should be no undue delay in obtaining the information.

III. **Review Market Areas and Neighborhoods**

Determine if the county has established market areas and whether market areas have appropriate parcel counts and conform to accepted appraisal practice.
Monitor the number of neighborhoods in the county relative to its parcel count. Neighborhoods with less than 50 residential parcels should be flagged.

Verify proper procedures for location factor analysis and neighborhood delineation by reviewing at least two residential neighborhoods. Determine if only sales coded as valid or unverified sales, adjusted for personal property, time, or financing if necessary, were used for the factor analysis. Were sufficient sales available? If not, were comparable neighborhoods utilized? Was only one factor used for each residential neighborhood? If not, explain.

IV. Land Valuation

Verify that vacant lot sales are plotted, that base lot rates and adjustment factors are stored in CAMA tables, and that adjustments are applied uniformly.

Verify that analyses and documentation are maintained that illustrate the derivation of base lot rates and adjustments.

Review the county or contractors work in this regard for at least two areas or, if not available, conduct independent analyses.

Verify that the proper schedule of values has been implemented for agricultural use parcels.

V. Residential Valuation

Determine which cost system is utilized for residential properties and where the depreciation schedule comes from.

Determine the basis for cost factors; i.e. market area, neighborhood, other.

If the sales comparison approach is used, does the county or contractor have a comparable sales routine for analysis and support of residential values as required by the CAMA specifications?

VI. Commercial Valuation

Determine which cost system(s) is used for commercial properties.

Determine the basis for cost factors; i.e. occupancy type, market area, other.

Find out the property groups for which the income approach is used. For what property groups is the sales comparison approach used?
VII. Sales Ratio Analyses

Review county or contractor sales ratio analyses, if available, and determine if any problems exist with respect to appraisal level or uniformity.

Check for evidence of preferential treatment being given to any sale properties in the sample, such as re-inspection after the sale or inequitable assignment of grade or age.

VIII. Evaluate Performance

Reappraisal performance must conform to the Rules and Regulations, and quality of work should be at a level commensurate with that which meets current standards of the International Association of Assessing Officers. Any problem areas or deviations from generally accepted methods and techniques should be noted on the audit form.

IX. Verify Progress

Review of properly selected samples will verify actual progress. If work reported as complete on the progress reports is inaccurate, explain on the audit form.

X. Complete Audit

Following the exit interview procedures, Auditors will inform the Assessor and the Appraisal Manager of preliminary audit results. This will include general notification of any incorrect methods and techniques uncovered during the audit and any categories with excessive errors/omissions. This advance notice is given so that the county or appraisal firm can have a chance to provide an explanation or begin corrective action immediately if it so desires.

The auditor will explain that:
The audit at this point is a work in progress and is unofficial;
The audit must be reviewed by ACD Administration and may not represent final results;
ACD office personnel at this point are not in a position to discuss audit findings.

No copies of any completed audit forms should be distributed at this time.

The auditor will have the Appraisal Manager complete Valuation Audit A, then the auditor will complete Valuation Audit B. Questions on the Valuation Audit B form must be answered in narrative form when an explanation or analysis is required. The narrative should explain or analyze. Do not send in calculations, reports, or printouts only. Once the audit is complete, auditors will write a single overall narrative for those two audits, update the audit history spreadsheet, e-mail audit results to the ACD Field Operations Administrator and his/her assistant,
and deliver the county file and audit paperwork to the ACD office. Please be professional and detailed but concise; do not use a statement such as “According to the enclosed reports, everything seems to be OK” for an overall narrative. *Valuation Audit C* will be turned in separately.

Upon completion of informal hearings, at a point after the Third Monday of August, *Valuation Audit D* will be completed. This is to ensure that the informal hearing records are complete.

For the convenience of the auditor, a condensed list of the current bid specifications will be placed in the Bid Specs file once a new reappraisal cycle starts in a contracted county. It is the auditor's responsibility to ensure the county and appraisal firm are fulfilling all respective obligations in the bid specifications. Any apparent issue with adherence to bid specs should be addressed in the audit narrative report.

**Agri Audits:** Auditors will complete the *Performance Audit Sample – Agri Only* form, update the audit history spreadsheet, e-mail reports to the ACD Field Operations Administrator and his/her assistant, and deliver the completed documentation to the ACD office.

The Division Administrator will review audit results and issue final audit results within 30 days of submission of the audit file to the Office. If there is a need for further review, the Assessor and the Appraisal Manager will be notified and the county or appraisal firm will have up to 30 days to respond. After 30 days auditors will return, if necessary, to complete the audit. Once further review is complete, the Assessor and the Appraisal Manager will be notified by the ACD Director. If a determination of non-compliance has been made, funding will be withheld and the notification will include a *Compliance Verification* form and an opportunity for a hearing. Auditors will verify corrected procedures and any other necessary corrective action at the appropriate times. Withheld funds will be released and payments will be resumed if the ACD determines the reappraisal is back in compliance.
REAL ESTATE DEFINITIONS AND PROCEDURES

In an effort to avoid confusion our agency will begin following these definitions and procedures when administering field audits.

I. Definitions

1) Closed Piers - Auditors will recognize continuous masonry wall surrounding the entire perimeter of the structure with vents as closed piers. Any deviation will not be considered closed piers.

2) Slab on Grade - Auditors will recognize building slab lying even with the grade of the land on all sides of the structure as slab on grade.

3) Elevated Slab - Auditors will recognize building slab that is elevated above the grade of the land on any side of the structure as elevated slab.

4) Open Porch - Auditors will recognize an elevated base and roof as open porch.

5) Half Open Porch - Auditors will recognize either elevated base or roof, but not both as a half open porch. Metal or vinyl awnings do not qualify as roof.

6) Flue - Any roof structure that appears to be either part of a fireplace or a flue only will be considered by the auditor as a flue (NCV) only and not a fireplace, when there is no other visual exterior evidence or additional information that a fireplace is present.

7) Fireplaces

   a. Low Quality - The quality of the fireplace is low relative to the quality of the dwelling. For example, the fireplace may be smaller than average size and have no visible masonry from the exterior of the structure
   b. Average Quality - The quality of the fireplace is average relative to the quality of the dwelling.
   c. Good Quality - The quality of the fireplace is good relative to the quality of the dwelling. For example, the fireplace may be larger than average size and have high quality masonry work.

8) Exterior Walls

   a. Standard Frame - good quality stucco, all lap-sidings, aluminum, vinyl, or steel sidings, cedar or cypress or board siding
b. Low Cost Frame - average quality stucco, pine, or fir plywood panels or sheets, asbestos or asphalt siding, cheaper Masonite or hardboard sidings, asphalt sheets or roll siding

II. Procedures

1) Fish Ponds – Auditors will price fish ponds as crop with the appropriate soil type. If no rate for crop exists, use pasture; if no rate for pasture exists, use timber.

2) Agricultural Fences – Auditors will not address fencing used for agricultural purposes in the audits on agricultural use property. They will address any other fencing not used for agricultural purposes.

3) Carport/Carport Storage – The pricing for carport storage does not include roof and flooring; therefore the auditors will see that the pricing includes rates for both as well as the walls.

4) Stained Concrete – Auditors will price a basic, one-coat application of stain with sealer and minimum surface prep as carpet/tile. More elaborate staining projects will be priced as ceramic tile.
Section Two: PERSONAL PROPERTY

COMMERCIAL PERSONAL PROPERTY AUDITS

In accordance with Arkansas Code 26-26-304(b)(1) and 26-26-304 (e)(1) ACD auditors must annually evaluate personal property progress and performance:

26-26-304 The objectives of this subchapter are as follows:

...(b)(1) An annual ratio study for the purpose of determining the average ratio of assessed value to the true and full market or actual value of personal property in each of the several counties of the state shall also be made. This ratio study of personal property shall be based upon a physical examination of the records of each county assessor’s office to determine the degree of compliance with the criteria as established by the Personal Property Manual.
...(e)(1) In addition to the other provisions of this section, whenever the September 15 ratio for the classifications of market value real estate, business personal property, auto and other personal property, or agricultural and timber falls below eighteen percent (18%) or above twenty-two percent (22%) of full fair market value, the county shall be deemed to have failed the ratio study and shall be subject to the corrective actions outlined in subsection (f) of this section. Furthermore, when a ratio study determines that the county does not meet the ratio standards found in the International Association of Assessing Officers' Standard on Ratio Studies, the county shall be deemed to have failed the ratio study and shall be subject to the corrective actions outlined in subsection (f) of this section. The department may conduct a county ratio study, in full or in part, at any time that the department determines that a county has engaged in inappropriate assessment roll changes or manipulations.

I. Procedures:

1) The auditor will send an e-mail to the Assessor during the week preceding a commercial personal property audit, unless otherwise directed. If the Assessor requests a delay, auditors should cooperate within reason and the delay may be granted for good cause.

2) Sample size shall be as stated in ACD Rule 4.04.1g, sec. B, subs. 2

3) The Auditor will be provided a random sample of business by the Division Administrator that has been selected from the real estate records of the County. In selecting the sample, is the ACD policy that, where possible, the businesses selected in the current year are not the businesses selected in the prior year’s sample.
4) Print a copy of the real estate card from the CAMA system. A similar public source may be used to ensure minimal disruption of the Assessor’s office, upon Division Administrator approval.

5) Drive to the business. With your name badge displayed and clipboard in hand, enter the business. Speak to the owner, manager or someone who is knowledgeable of the business. Write their full name on the sample form.

6) Do not discuss the accuracy of the assessment with the business contact. Auditors are not authorized to discuss their opinions of county or contractor records with the general public. When dealing with the public, auditors should refer assessment-related taxpayer inquiries to the county Assessor’s office.

7) Determine the quality and density of inventory. Determine the quality, density, and effective age of the furniture, fixtures and equipment.

8) Measure the building. Measure only the square footage of the sample if more than one business is in the building. Measure any areas that need to be broken out individually.

9) Use the real estate card to compare the Assessor’s sketch with your measurements.

10) After working all of the businesses in the sample, go to the Assessor’s office and print the County Property Schedule for each sample. Note any businesses for which a business personal property rendition cannot be readily located.

11) Compare your results with the Assessor’s work. Determine the cause for any discrepancies.

12) Complete the sample form. Include any relevant comments in the miscellaneous section.

13) Enter the data into the computer by following the data entry instructions.

14) Complete and save your spreadsheet work, the narrative and production report, and the Business Personal Performance Audit form to one folder.

15) Following the exit interview procedures, Auditors will inform the Assessor of preliminary audit results.
16) Results shall be e-mailed to the ACD office in a timely manner, typically prior to beginning an audit in another county.

17) Office personnel only: Be sure the folder is saved to the ACD server.

18) If a County fails to comply with any of the statutes concerning Business Personal, this must be stated in the narrative and a full report shall be turned in to the ACD.

II. Commercial Personal Property Data Entry Instructions

A. Files:

1) Office personnel only: New office files will be created each year from the previous year files. Remove previous year data. **Save As** in the same format each year, using the new year: **20xx county auditor bp.xls** Save to a new sub-folder: 20xx *business personal*. Specific dates will be added as files are turned in.

2) Auditors will create new files on their laptop from the previous year files. Remove previous year data. **Save As** in the same format each year using the new year: **20xx county auditor bp.xls**. Save to a new sub-folder: 20xx *business personal*. Specific dates will be added as files are turned in.

3) Auditors will enter spreadsheet information into the **20xx county 9-1 auditor bp.xls** file. The auditor will save the file and e-mail it to the office in a folder **20xx county 9-1 auditor bp.xls** with the other required files.

4) The information transferred to the office will be saved to the appropriate folder (ex.) G on 'Acdserver' (I:)/business personal/20xx business personal.

B. Worksheets:

1) Enter data into in the A through T columns of the **20xx BP Worksheet**, and enter any **Add On** items in columns X and AB. List miscellaneous information in the AR, AS, AT, and AU columns. Columns U through AB (the eight columns following REL), including columns X and AB, will be used at take-off time. Any column with gray shading is a formula column. Do not enter or remove data in a formula column, since it can negate the formula.

2) Enter the Tax District Code exactly as it appears on each assessment.
3) The business name should be followed by the listed name, if different; for example, AAA Equipment Rental/AAA Enterprise, Inc. Abbreviate as necessary so that no more than 34 spaces are used. The address and city cells can take up to 20 spaces.

4) If two or more business classes are needed for one sample enter the code, class, inventory, and FFE quality/density for each one, separated by commas. Use the overall square footage and a weighted average for the square foot rates. Apply the REL to the FFE rate before determining the FFE weighted average. Enter 1.00 in the spreadsheet for the REL, since it is already accounted for. Explain in Misc. Info.

5) In the cases of FF&E where rooms, barber chairs, etc. are used, enter the number of units instead of square feet under Square Feet and enter the price per unit instead of the price per square foot.

6) Information for a sample can be copied to Row 1 of the 20xx BP AAA County Master File.xls worksheet and the auditor can print the resulting BP Form worksheet, if desired. Be sure to print the Active Sheet only. Do not directly enter or remove data in the worksheet BP Form.

7) The BP Form (2) worksheet in the 20xx BP AAA County Master File.xls can be used to print a blank BP form for use in making copies. Be sure the correct year is at the top of the page.

C. Take-Off:

1) Take-off sheets for each county are printed from the Take-Off Worksheet.

2) A rendition is considered good only if both inventory and FFE are accurate.

3) Inv Assmt - Enter the inventory assessment.

4) Inv SF Rate - Enter 0 if the rendition is good. Otherwise, enter the appropriate square foot rate.

5) Inv Add On - Replace any listed Inv Add On with the amount in the 5x Inv Assmt column if the rendition is good.

6) FFE Assmt - Enter the FFE assessment.

7) FFE SF Rate - Enter 0 if the rendition is good. Otherwise, enter the appropriate square foot rate, or in the cases where rooms, barber chairs, etc. are used, the rate per unit.
8) FFE Add On - Replace any listed *FFE Add On* with the amount in the *5x FFE Assmt* column if the rendition is good.

9) SPSS will be used to run the ratios.
Section Three: AUDIT QUALITY ASSURANCE PROCEDURES

ACD audit staff strives for a high level of professionalism, accuracy, and quality public service.

Audit quality assurance will be achieved by a series of internal audits, field skill reviews, and constant monitoring of accuracy in the performance audit process.

Internal Field Audits: Managers will plan to conduct no fewer than four internal audits of each auditor’s work on a quarterly basis each year. This will consist of desk and field review of Performance Audits done by each auditor and will measure the accuracy, consistency, and reliability of the audits conducted. Every effort should be made to ensure that the field work audited is a reflection of the entire body of work conducted throughout the year, taking into account the type of property audited, the size and geographical variations between counties, and frequency of audits performed. The internal audits should focus on analyzing the knowledge, skills, and abilities of each individual auditor along with the consistency of work across the entire audit staff. The manager will submit the IFA Narrative and Sample upon completion.

Field Skill Reviews: Managers will plan to conduct no fewer than two one-day skill reviews for each auditor on a biannual basis each year. Each auditor will perform full data collection for the required number of samples. Preparation of the sample will be done by the manager and should contain a variety of property sufficient to represent all aspects of field work. The manager will make copies of the property cards and will furnish the auditor with blank field cards. Selection and preparation of the sample should be done in such a manner that no auditor will be viewing (nor recently has viewed) field data information of the properties he/she will be inspecting. The auditor must collect field data on the selected samples without help from co-workers and under the direct observation of the manager. Upon completion, the manager will then compare results with the appraiser’s card. Discrepancies involving objective and subjective items may be reviewed in the field to determine cause and the results will be noted on the auditor’s card. The Field Skill Review Sample form and the Field Skill Review Summary Worksheet will then be completed for all internal audit samples and completed forms, sample cards, and saved files should be turned in to the Administrator. In the absence of major problems, the Administrator will notify the auditor of the result of each of their reviews and internal audits by e-mail and in summary during their annual performance review.

Administrative Review: For the purposes of the auditor, the audit is complete upon submission to the Administrator and should be accurate as submitted unless a revision is required. ACD periodically reviews audit reports for accuracy, in addition to reviewing issues addressed to the agency by counties or their contractors. These reviews will also be taken into account when considering auditor performance and audit quality assurance. Careful review of each situation will allow ACD to determine the best way to serve our public and provide reliable audit results.